

**INVESTIGATION OF UNITED STATES ASSISTANCE  
TO THE NICARAGUAN CONTRAS—(Volume I) .**

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**HEARING AND MARKUP  
BEFORE THE  
COMMITTEE ON FOREIGN AFFAIRS,  
AND ITS  
SUBCOMMITTEE ON  
WESTERN HEMISPHERE AFFAIRS  
HOUSE OF REPRESENTATIVES**

**NINETY-NINTH CONGRESS**

**SECOND SESSION**

**ON**

**H.J. Res. 540**

**AND**

**H. Res. 389**

**MARCH 5 and 6, 1986**

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(III)





# UNITED STATES ASSISTANCE TO THE NICARAGUAN CONTRAS

WEDNESDAY, MARCH 5, 1986

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The subcommittee met in open markup session at 2:08 p.m., in room 2172, Rayburn House Office Building, Hon. Michael Barnes (chairman of the subcommittee) presiding.

Mr. BARNES. Ladies and gentlemen, the Subcommittee on Western Hemisphere Affairs will come to order. We meet this afternoon to consider House Joint Resolution 540 which would approve the President's request for \$70 million in covert lethal aid and \$30 million in nonlethal assistance for the Contras. At the conclusion of this hearing, we will vote on this measure, and as I understand it, the full committee will vote on it tomorrow.

## AUDIT OF CONTRA AID BY THE GAO

Last October, I asked the General Accounting Office to conduct an audit of the expenditure of the \$27 million in nonlethal aid that the Congress provided last year and to monitor compliance with the terms of the legislation. I specifically asked that the General Accounting Office review procedures required to be established to ensure that this assistance is used only for the intended purpose and is not diverted for the acquisition of lethal items and conduct any necessary onsite inspections to confirm the delivery of the aid.

I am pleased to be able to welcome this afternoon to the subcommittee, Mr. Frank Conahan, Director of the National Security and International Affairs Division of the General Accounting Office who will testify on the results of this study. After we have had a chance to question Mr. Conahan, we will be hearing from the administration. But before we welcome our first witness, let me recognize the gentleman from California, the ranking minority member for any comments that he may have at the opening of the hearing.

Mr. LAGOMARSINO. Thank you, Mr. Chairman. I do have a rather extensive opening statement.

It seems somewhat ironic to me, Mr. Chairman, that critics of the Reagan administration policy in Central America harp on two themes. One, the administration policy has failed, and two, the administration is seeking a military solution in the region.

(1)

When you look at what has happened in Central America in the past 5 years, you see democratic governments taking over in Honduras, El Salvador, and Guatemala. If U.S. policy had failed or stressed only military solutions, you can be certain that would not have happened.

The only military dictatorship in Central America now is the one in Nicaragua. But if U.S. policy has failed there, it has not been from lack of trying, nor has it been from a failure to seek a negotiated settlement with the Sandinista Communists. I am including as part of this statement a chronology of peace initiatives by the United States and the democratic resistance in Nicaragua which clearly shows that the failure of negotiations is due to Nicaraguan Government opposition.

[The document referred to follows:]

UNITED STATES/DEMOCRATIC RESISTANCE PEACE INITIATIVES  
FOR NICARAGUA AND CENTRAL AMERICA

In reviewing the chronology of efforts to achieve peace in Central America, it is essential to keep in mind the objectives of U.S. policy regarding Nicaragua:

1. U.S. objectives are not to overthrow the Nicaraguan government but to apply consistent firm pressure for a change in policies of that government.
2. The United States seeks a Sandinista agreement to enter into a dialogue with their domestic opponents to achieve national reconciliation [the same was asked of the Salvadoran government].
3. The United States seeks specifically the achievement of four goals by the Sandinista government in Nicaragua:
  - A. The Sandinistas should fulfill their promises of democracy, respect for human rights, a mixed economy and non-alignment made to the Nicaraguan people and the OAS in July 1979.
  - B. They should halt their massive military build-up and restore a military balance to the region.
  - C. They should sever their military/security ties with the Soviets and Cubans.
  - D. The Sandinistas should stop supporting subversion and terrorism in neighboring countries.

With U.S. objectives in mind, from reviewing the following chronology, it is apparent the Reagan Administration from the beginning has attempted to seek a peaceful resolution to the problems we face in our relations with Nicaragua:

August-October 1981: United States initiates diplomatic exchanges with Nicaragua. U.S. offers bilateral nonaggression agreement and renewed economic assistance and offers to use its influence to encourage Nicaraguan exiles in the U.S. to moderate their behavior if Nicaragua stops aid to Salvadoran guerrillas, give pluralism a chance and limits its military buildup.

**\*\*\*Nicaragua rejects U.S. offer as "sterile."\***

March 15, 1982: Honduras proposes Central American peace plan in the OAS to reduce arms and foreign military advisers, to respect nonintervention, and to provide for international verification of commitments.

April 9, 1982: U.S. offers eight-point proposal to Nicaragua. Nicaragua demands high-level meeting in Mexico.

October 4, 1982: In Costa Rica, seven democratic governments (including U.S.) sign the "Declaration of San Jose" outlining conditions for a regional settlement. Proposal included following:

- Central America should be free of East-West competition. All foreign military advisors and trainers should leave region. Specific reference was made to advisors from Cuba, the U.S.S.R., Bulgaria, East Germany, the PLO and the U.S.

-- Central American nations should live without fear, proposing mutual and verifiable accords banning the import of heavy offensive weapons, renouncing the support for insurgency on neighbors' territory and providing for international surveillance of frontiers.

-- Establishment of democratic institutions open to opposition elements.

\*\*\*Nicaragua refuses to receive Costa Rican Foreign Minister as emissary of group.

January 8, 1983: Contadora declaration issued by Foreign Ministers of Colombia, Mexico, Venezuela and Panama recommending dialogue and negotiation. In order to maximize the chances for Nicaraguan agreement to participate, Contadora suggested the U.S. not participate.

\*\*\*Nicaragua still not receptive, went instead to UN Security Council claiming it wanted to meet bilaterally with the U.S. and Honduras, not regionally.

April 1983: Nicaraguan Interior Minister Tomas Borge, in an interview for Cuban television, stresses subjects his country would not negotiate: \*\*\*Nicaragua would not discuss the principles of the Sandinista revolution; it would not enter into a dialogue about the overall Central American situation; and it would not talk about "counter-revolutionaries."

April 27, 1983: President Reagan announces appointment of a Special Envoy for Central America for purpose of facilitating internal dialogue in both El Salvador and Nicaragua.

July 21, 1983: Costa Rica, El Salvador, Guatemala and Honduras propose peace plan drawing on Honduran plan of March 1982 and emphasizing relevance of democratization to peace and stability of region.

July 23, 1983: President Reagan supports Contadora principles in letter to Contadora Group presidents.

September 9, 1983: Contadora Document of Objectives approved by the five Central American states. It sets goals for regional negotiations, including democratic pluralism, national reconciliation, cessation of support to paramilitary forces, arms control, withdrawal of foreign advisers and verification.

October 20, 1983: Nicaragua proposes four treaties to implement six-point peace plan it had originally proposed in July 1983, but \*\*\*proposals do not address Contadora objectives of democratic national reconciliation, reductions in arms and foreign advisers.

December 24, 1983: Nicaraguan opposition group "Coordinadora" [which includes Arturo Cruz] issues communique calling for dialogue leading to open elections.

April 22, 1984: Easter pastoral letter of the Nicaraguan bishops calls for dialogue, including talks with the armed resistance.

June 1, 1984: Secretary of State Shultz visits Managua to launch bilateral talks in support of reaching a comprehensive Contadora agreement.

June 8-9, 1984: Contadora Group submits first draft Contadora agreement to Central American governments for comment.

June 25, 1984: U.S. and Nicaragua begin first of nine rounds of bilateral talks at Manzanillo, Mexico.

September 7, 1984: Contadora Group submits revised draft Contadora agreement.

September 21, 1984: Nicaragua states willingness to sign September 7 draft \*\*\*on condition that it is approved without modification [September 7 draft does not provide verification or enforcement procedures].

November 19, 1984: 8th round of Manzanillo talks. U.S. offers bilateral assurances in return for Nicaraguan acceptance of modifications to September 7 Contadora draft.

December 10, 1984: 9th round of Manzanillo talks.  
\*\*\*Nicaragua definitively rejects U.S. proposal; proposes bilateral accords in lieu of Contadora, addressing its security issues only.

January 18, 1985: U.S. suspends Manzanillo meetings pending further developments in the Contadora process.

February 22, 1985: "Coordinadora" issues statement in Managua calling for church-mediated internal dialogue.

March 1, 1985: Nicaraguan resistance issues document in San Jose, Costa Rica calling for national dialogue and asking for church mediation.

March 22, 1985: Nicaraguan Episcopal Conference issues communique accepting mediation role in dialogue.

April 4, 1985: President Reagan calls on Nicaraguan government to accept dialogue and asks opposition to keep open March 1 peace offer until June 1. Nicaraguan opposition agrees.  
 \*\*\*Sandinistas refuse to respond.

April 11, 1985: Contadora group reaches agreement in principle on revised verification procedures.

May 14, 1985:\*\*\*Nicaragua reneges on international corps of inspectors for verification which was agreed to in April.

June 1985: Principal groups of the democratic resistance for the United Nicaraguan Opposition (UNO).

June 11, 1985: President Reagan sends letter to Representatives McCurdy, Michel and McDade indicating willingness of U.S. to continue bilateral Manzanillo talks if Sandinistas move toward internal dialogue in Nicaragua.

July 26, 1985: Secretary Shultz states U.S. willingness to resume bilateral talks if resumption would promote progress in Contadora and national reconciliation in Nicaragua.

September 12, 1985: Contadora Group presents draft of a final agreement.

October 29, 1985: Special Envoy Shlaudeman tells Nicaraguan Ambassador Tunnermann that the U.S. would resume bilateral talks if the Sandinistas accepted the March 1 offer of the Nicaraguan resistance.  
 \*\*\*Nicaragua rejects March offer as totally unacceptable.



November 11, 1985: \*\*\*Nicaragua details objections to September 12 Contadora draft agreement. Nicaragua argued it could not accept the Contadora agreement unless it reached a prior accommodation with the United States.

December 3, 1985: \*\*\*Nicaragua requests suspension of Contadora peace negotiations until May 1986.

December 9, 1985: OAS General Assembly votes 25-1 to urge continuation of Contadora talks. \*\*\* Nicaragua only member to vote against resolution.

January 12, 1986: Contadora Group [Mexico, Colombia, Venezuela and Panama] and Contadora Support Group [Argentina, Brazil, Peru and Uruguay] issue communique at Caraballeda, Venezuela stating urgency to giving a renewed thrust to Contadora and heavily emphasizes national reconciliation and promises "new steps" to promote national reconciliation.

January 16, 1986: \*\*\*Nicaragua describes Caraballeda communique only as prerequisites to Contadora talks and reaffirms November 11 objections to Contadora draft agreement.

January 17, 1986: Secretary Shultz meets with group, reaffirms strong U.S. support for Contadora peace effort and repeats U.S. belief that Nicaragua's behavior and failure to keep its word is the heart of the problem. U.S. Special Envoy Shlaudeman will be sent to explore possibilities in Caraballeda message in visit to region.

January 17, 1986: Honduran President-elect Azcona visits Washington and says he opposes resumption of U.S.-Nicaraguan bilateral talks which he says would detract from Contadora.

January 22, 1986: The United Nicaraguan Opposition (UNO)

[contras] issues statement of principles and objectives of a Provisional Government of National Reconciliation which expresses UNO's commitment to peace, democracy, observance of human rights, and promotion of social justice.

February 5, 1986: \*\*\*Nicaragua repeats objections to September 1985 Contadora draft agreement in Ortega speech before Third Cuban Communist Party Congress in Cuba.

February 6, 1986: Opposition political parties in Nicaragua propose suspension of hostilities, general amnesty, repeal of the state of emergency, agreement for new elections, fulfillment of Sandinista commitments for democratization and international assistance in implementing proposals. \*\*\*Nicaragua rejects proposal.

February 10, 1986: Secretary Shultz meets with Foreign Ministers of Contadora Group and Support Group and offers to resume bilateral talks with Nicaragua simultaneously with the beginning of a Sandinista dialogue with the democratic resistance.

February 14-15, 1986: \*\*\*Nicaragua refuses to address remaining issues to be resolved in current Contadora draft agreement during Contadora negotiating session.

**Mr. LAGOMARSINO.** Critics of the administration in this Congress are quick to accuse the United States of being unwilling to seek a peaceful solution to the crisis in Central America. Many of those same critics are the ones who call for internal reconciliation and dialog in El Salvador. The United States expects the same from the Sandinistas. So far it has been the Sandinista Communists who have rejected internal reconciliation and dialog.

#### PUBLIC OPINION IN CENTRAL AMERICA

As for the question of whether the issues we face in Central America represent an East-West confrontation, the answer is a definite yes according to a recent poll conducted by a Gallup affiliate in the region. The poll was conducted by the Inter-Disciplinary Consultants on Development, Inc., a Gallup affiliate, located in Costa Rica between June and November of last year. The poll was conducted in Costa Rica, Honduras, Guatemala, and El Salvador among 3,338 adults who had completed at least 1 year of secondary school.

One of the questions asked was this one. Some people say that the Soviet Union has nothing to do with the armed conflicts in Central America. Others say that Russia actively foments the armed conflicts. What do you think?

A. Those answering yes, definitely or yes, probably totaled from a low of 79 percent in El Salvador to a high of 93 percent in Costa Rica. Also, in every case, the yes, definitely was the higher percentage.

Critics of the administration often point to the public statements of Government officials in Costa Rica, Honduras, Guatemala, and El Salvador as evidence of opposition to the United States policy of giving aid to the Contras. The following question was asked in the Gallup poll: What is your opinion about assistance given to the Contra forces in Nicaragua? Do you approve strongly, approve somewhat, disapprove somewhat or disapprove strongly or haven't you heard enough to have an opinion?

The responses were like this. Approve strongly or approve somewhat: Costa Rica, 69 percent; Honduras, 55 percent; Guatemala, 54 percent; and El Salvador, 52 percent. Disapprove strongly or disapprove somewhat: Costa Rica, 24 percent; Honduras, 25 percent; Guatemala, 22 percent; and El Salvador, 19 percent.

**Mr. Chairman,** I would ask that the entire results of the poll be included in the record of this hearing.<sup>1</sup>

**Mr. BARNES.** If there is no objection.

**Mr. LAGOMARSINO.** Before I conclude my opening remarks, **Mr. Chairman** and I will soon do that, I would like to call to the attention of my colleagues and to the media the presence today in the audience of Augusto Sandino's grandson. His name is Aristides Pavon, and I would like him to stand up.

**Mr. Pavon** was imprisoned by the Sandinista Communists for 3 years and was tortured because he would not support their regime. He was threatened with being killed or being sentenced to 30 years

<sup>1</sup> The document referred to is on file in the subcommittee offices.

because, being a grandson of Sandino, he was opposing the Sandinistas. Mr. Pavon says and I quote:

My grandfather was never a Communist. He was against all foreign influence including the Americans or the Communists who tried to manipulate his movement. He would have been violently opposed to the Cuban and Soviet influence on our country today.

For the benefit of the media, Mr. Pavon will be holding a press conference tomorrow morning at 9:30 in room 2255 in this building and I would urge you to attend. Mr. Pavon's opposition to the Sandinistas calls to mind a recent statement by American labor leader Bill Doherty. Last December he said, "There are more Sandinistas, the true Sandinistas, fighting in the freedom forces than there are in the Sandinista militia."

So I welcome the administration's testimony and the other witnesses here today and look forward to hearing from them. Thank you, Mr. Chairman.

Mr. BARNES. Are there any opening statements from any of our other colleagues. If not, we will move directly to the testimony. Mr. Conahan, we welcome you and your colleagues and appreciate very much you being here today.

**STATEMENT OF FRANK C. CONAHAN, DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE**

Mr. CONAHAN. Thank you, Mr. Chairman and members of the subcommittee. We are pleased to be here to present the results of our work. Perhaps I could submit my statement for the record and present a slightly shortened version here this afternoon. My statement will concentrate on our review of the accounting and management procedures and controls to ensure that the funds are spent in accordance with the law's intent.

**LIMITATIONS ON GAO'S INVESTIGATION**

Before I discuss the results of our review, Mr. Chairman, I would like to point out some limitations on our presentation today. We have been informed by the Department of State that certain information about the program is classified. Included are specific quantities of items purchased, attitudes and roles of countries in the region with respect to this program, and attempts to arrange for delivery of goods purchased in the United States. We will not provide information concerning those subjects in an open hearing at the request of the Department of State.

None of these limitations however hinders our ability to address your major question. That is, does the Department of State have adequate procedures and controls to ensure that the funds are being used for the purposes intended by law and are not being diverted to other uses.

**STATE DEPARTMENT DOES NOT HAVE ADEQUATE CONTROLS TO VERIFY EXPENDITURES**

Our overall answer is that the Department does not have procedures and controls which would allow it to provide these assurances, in large measure because those charged with administering

the program are unable to verify expenditures made in the region and are unable to observe the end use of procured items to ensure that they were not diverted, bartered or otherwise exchanged.

Initially, the State Department's Nicaraguan Humanitarian Assistance Office, which is charged with the program's administration, had intended to set up operations in the region but diplomatic sensitivities of certain countries in the region prevented it from doing so. Thus, it is not able to exercise the financial and programmatic control beyond the U.S. borders that it wanted to.

We reviewed all expenditures as of February 24, 1986. As of that date, the Assistance Office had actually paid out over \$12.2 million. About \$5.2 million was spent in the United States and \$7.1 million was spent in the region. The office's control over its funds varied significantly depending on whether the purchases were made in the United States or in the region.

#### CONTROL OVER U.S. PURCHASES IS ADEQUATE

For purchases from U.S. suppliers, the office exercises considerable control over disposition of the funds. It has established procedures for administering procurements and making payments which allows it to control and oversee the types of goods and services being purchased and the prices paid.

It is a much different story for the \$7.1 million in purchases made outside the United States. The Assistance Office has received invoices and receipts to support almost all purchases and, before authorizing payment, it reviews the invoices and receipts to ensure that the items are allowable under the program. However, from its offices here in town, the Assistance Office cannot assess the validity of the regional receipts, is unable to check out many suppliers, has difficulty establishing reasonableness of prices, and cannot verify actual delivery or receipt of the items.

#### PAYMENT IS NOT MADE DIRECTLY TO THE SUPPLIER

Another major difference between controls over U.S. source procurements and those made in the region is that payment is not made directly to the supplier. Instead, payment is usually made to a Miami bank account of one of several brokers authorized by the regional suppliers to act as their agents. There is no audit trail showing payments from the brokers accounts to suppliers and only partial documentation of shipments from the suppliers to the resistance forces.

Despite the deficient controls over expenditures outside the United States, an increasing proportion of the assistance funds is being spent in the region. Assistance Office officials attribute this situation to the difficulties encountered in delivering U.S. purchased items to the resistance forces. Initially, the office had assumed that, except for food, most supplies would be purchased from U.S. suppliers not only because control would be greater but also because the quality of U.S. goods was higher and U.S. costs were lower.

However, due to diplomatic sensitivities of countries involved, deliveries of goods purchased in the United States could not take place. The U.S. sourced items were stored in U.S. warehouses, prin-

cipally in New Orleans. This has delayed the delivery of supplies, mostly pharmaceuticals, boots and field gear to the resistance forces, and has caused more money to be spent in the region than might otherwise have been the case.

If delivery problems continue, most funds are likely to be spent in the region. The Department has recently undertaken intensified efforts to reverse problems in delivering U.S. source goods to the resistance.

Mr. Chairman, I cannot say more on that particular subject in open session. But perhaps today, the State Department might make some statement on current activity in that regard.

#### WHAT HAS BEEN PURCHASED WITH \$12.2 MILLION

Turning now to what has been purchased for the \$12.2 million spent to date, the legislation stipulates that funds be used to provide food, clothing, medicines and other humanitarian assistance. The legislative definition specifically rules out weapons, ammunition or other items which could cause injury or death. The principle criterion used by the Assistance Office in determining what can be provided is that it be nonlethal.

The \$12.2 million has been spent on the following broad categories: \$4.7 million on food and sundries, \$2.8 million was spent for pharmaceuticals and medical supplies. Clothing accounts for about \$2.7 million and then there are four or five additional categories covering miscellaneous supplies and equipment such as blankets and tools, transportation, storage, various other medical expenses including hospitalization of resistance fighters, and administrative expenses for both the United Nicaraguan Opposition [UNO] as well as the State Department's Assistance Office.

#### NO BASIS TO EVALUATE REGIONAL RECEIPTS

In closing, I want to emphasize that the foregoing breakdown of expenditures is based on our examination of receipts provided to the Assistance Office. While we are confident that the receipts for U.S. sourced items are valid, we have no basis to evaluate regional receipts. We inspected U.S. sourced items in warehouses in New Orleans and are satisfied that receipts reflect purchased items. We were not able to do the same for purchases made in the region. I must say however that we found nothing to indicate that the Assistance Office actually paid for lethal items.

I would like to take whatever questions you have now, Mr. Chairman.

[Mr. Conahan's prepared statement follows:]

PREPARED STATEMENT OF FRANK C. CONAHAN, DIRECTOR, NATIONAL SECURITY AND  
INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE

HUMANITARIAN ASSISTANCE TO THE NICARAGUAN  
DEMOCRATIC RESISTANCE

Mr. Chairman, Members of the Subcommittee:

I am pleased to be here to discuss the management of the \$27 million in humanitarian assistance authorized for the Nicaraguan democratic resistance. My statement will concentrate on our review of the accounting and management procedures and controls to ensure that the funds are being spent in accordance with the law's intent.

Before I discuss the results of our review, I would like to point out some limitations on our presentation today. We have been informed by the Department of State that certain information about this program is classified. For example, State has told us the following matters are classified: specific quantities of items purchased, attitudes or roles of countries in the region with respect to this program, and attempts to arrange for delivery of goods purchased in the United States.

None of these limitations, however, hinders our ability to address your major question; i.e., does the Department of State have adequate procedures and controls to ensure that the funds are being used for the purposes intended by law, and are not being diverted to other uses.

Our overall answer is that the Department does not have procedures and controls which would allow it to provide these assurances--in large measure because those charged with administering the program are unable to verify expenditures made in the region, and are unable to observe the end use of procured items to ensure that they were not diverted, bartered, or exchanged. Initially, the State Department's Nicaraguan Humanitarian Assistance Office (NHAO)--which is charged with the program's administration--had intended to set up operations in the region, but diplomatic sensitivities of certain countries in the region prevented NHAO from doing so. Thus, NHAO is not able to exercise the financial and programmatic control beyond the U.S. borders that it wanted to.

We reviewed all expenditures as of February 24, 1986 (a detailed breakdown is attached to the statement). As of that date, NHAO had actually paid out over \$12.2 million. About \$5.2 million (or 42 percent) was spent in the United States, and \$7.1 million (or 58 percent) was spent in the region. NHAO's control over its funds varied significantly depending on whether the purchases were made in the United States or in the region.

For purchases from U.S. suppliers, NHAO exercises considerable control over disposition of funds. NHAO has



established procedures for administering procurements and making payments, which allows it to control and oversee the types of goods and services being purchased and the prices paid. NHAO relies principally on the United Nicaraguan Opposition (UNO)--an umbrella organization representing the various resistance forces--to determine the types and quantities of goods and services to be purchased.

UNO submits to NHAO a pro forma invoice prepared by a proposed U.S. supplier identifying the goods or services to be purchased and the amount to be paid. NHAO reviews the invoice to determine if the item or service is consistent with program objectives and that the stated price appears to be reasonable. In many cases, NHAO obtains Dunn and Bradstreet reports on the proposed supplier to ensure that the company is legitimate. Furthermore, NHAO often checks with other suppliers of similar items and with DOD procurement officials to verify the reasonableness of prices quoted. If the review is satisfactory, NHAO provides the supplier a letter of commitment for the funds to be paid upon receipt of the goods by UNO. When the supplier sends NHAO a confirmation of delivery of the goods, NHAO issues a payment voucher, and the Treasury sends a check directly to the supplier. NHAO also has inspected some of the supplies stored in U.S. warehouses awaiting shipment to the region to ensure that approved items have been delivered.

It is a much different story for the \$7.1 million in purchases made outside the United States. NHAO has received invoices and receipts to support almost all purchases, and

before authorizing payment, NHAO reviews the invoices and receipts to ensure that the items are allowable under the program. However, from its offices in Rosslyn, Virginia, NHAO cannot assess the validity of the regional receipts, is unable to check out many suppliers, has difficulty establishing reasonableness of prices, and cannot verify actual delivery or receipt of items. Another major difference between controls over U.S.-sourced procurements and those made in the region is that payment is not made directly to the supplier. Instead, payment is usually made to a Miami bank account of one of several brokers authorized by the regional suppliers to act as their agents. There is no audit trail showing payments from the brokers' accounts to suppliers, and only partial documentation of shipments from the suppliers to the resistance forces.

Despite the deficient controls over expenditures outside the United States, an increasing proportion of the assistance funds is being spent in the region. NHAO officials attribute this situation to the difficulties encountered in delivering U.S.-purchased items to the resistance forces. Initially NHAO had assumed that, except for food, most supplies would be purchased from U.S.-suppliers--not only because NHAO's control would be greater, but also because the quality of U.S. goods was higher and U.S. costs were lower. However, due to the diplomatic sensitivities of the countries involved, deliveries of goods purchased in the United States could not take place. Thus, U.S.-sourced items were stored in U.S. warehouses, principally in New Orleans. This has delayed the delivery of supplies (mostly pharmaceuticals, boots, and field gear) to the

resistance forces, and has caused more money to be spent in the region than might otherwise have been the case. If delivery problems continue, most funds are likely to be spent in the region. The Department has recently undertaken intensified efforts to reverse problems in delivering U.S.-sourced goods to the resistance.

Turning now to what has been purchased for the \$12.2 million spent to date. (A breakout is attached to the statement.) The legislation stipulates that funds be used to provide food, clothing, medicines, and other humanitarian assistance. The legislative definition specifically rules out weapons, ammunition, or other items which could cause injury or death. The principal criterion used by NHAO in determining what can be provided is that it be non-lethal.

The \$12.2 million has been spent on the following broad categories:

- \$4.7 million (or 39 percent) on food and sundries, which were procured in the region. Food receipts included other items such as clothing, matches, cigarettes, and toilet articles. About \$350,000 of the \$4.7 million purchased local currency, which was to be used for food.
- \$2.8 million (or 23 percent) was spent for pharmaceuticals and medical supplies. Most of these were purchased in the United States.

--The last major item--clothing--accounts for \$2.7 million (or 22 percent) of the expenditures. About \$1.8 million was spent in the United States and the remainder was spent in the region. Included in the clothing purchases were combat boots, uniforms, ponchos, socks, and web gear.

About another million dollars was spent for miscellaneous supplies and equipment, such as blankets, tools and trucks--a little more than half of which was spent in the United States and the rest in the region. Over \$500,000 was expended on transportation, storage, and warehousing of these items, mostly in the United States. Lastly, about \$260,000 was spent on various medical expenses, including hospitalization of resistance fighters; \$125,000 was spent on a UNO-administered human rights program; and about \$75,000 was spent for UNO administrative expenses. An additional \$89,000 is for NHAO administrative expenses.

I want to emphasize that the foregoing breakdown of expenditures is based on our examination of receipts provided to NHAO. While we are confident that the receipts for U.S.-sourced items are valid, we have no basis to evaluate regional receipts. We inspected U.S.-sourced items in warehouses in New Orleans and are satisfied that receipts reflect purchased items; we were not able to do the same for purchases made in the region. We found nothing, however, to indicate that NHAO paid for lethal items.

This concludes my prepared remarks. I would be happy to answer any questions you might have.

ATTACHMENT

SUMMARY OF GOODS AND SERVICES  
(As of February 24, 1986)

GOODS AND SERVICES (Examples)	TOTAL	PURCHASES MADE...	
		NOT IN U.S.	IN THE U.S.
Food, sundries, consumables, foreign currency, and some delivery costs	\$ 4,694,496	\$4,694,496	\$ 0
Pharmaceuticals, medical supplies, and refrigerators (drug storage)	2,764,551	281,602	2,482,949
Uniforms, boots, ponchos, socks, hats, belts, & other clothing	2,672,464	919,530	1,752,934
Flashlights, hand tools, hammocks, trucks, and other equipment	989,113	420,716	568,397
Transportation, storage, security, warehousing, and some freight costs	555,793	391,372	164,421
Medical services, hospitalization and related expenses, and doctor fees	262,240	222,884	39,356
Human Rights Program (Fundacion de Nicaragua)	125,000	125,000	0
Administrative support for United Nicaraguan Opposition	75,448	0	75,448
TOTAL OF GOODS AND SERVICES	12,139,105	7,055,600	5,083,505
Nicaraguan Humanitarian Assistance Office administrative expenses	89,167	0	89,167
TOTAL	\$12,228,272	\$7,055,600	\$5,172,672

NOTES:

1. Transport for food and other commodities was sometimes listed separately. At other times, it was included in the price of the commodity. Similarly, receipts for food at times included sundries and clothing which were not listed separately under other commodity categories.
2. Receipts for food purchased outside the United States usually included sundries and clothing, such as cigarettes, batteries, matches, candles, antimosquito incense, toilet paper, deodorant, glue, insect killer, toothpaste, panties, bras, plates, detergent, shoe polish, sandals, socks, mops, soap, plastic buckets, flashlight bulbs, blankets, shirts, frying pans, engine oil, and oil filters.

ATTACHMENT

Mr. BARNES. Thank you very much, Mr. Conahan. Mr. Conahan, did the Nicaraguan Humanitarian Assistance Office have a chance to review your statement?

Mr. CONAHAN. Yes, sir. We went over the statement with them just yesterday.

Mr. BARNES. Did they have any problem with your conclusions, any disagreement with anything?

Mr. CONAHAN. I am not aware of any, no, sir.

#### PAYMENTS TO BROKERS' ACCOUNTS IN MIAMI

Mr. BARNES. In discussing the purchases made outside of the United States you said, "From its offices in Rosslyn, Virginia, the Nicaraguan Humanitarian Assistance Office cannot assess the validity of the regional receipts, is unable to check out many suppliers, has difficulty establishing reasonableness of prices and cannot verify actual delivery or receipt of items." You went on to describe a process through which payment is usually made to a Miami bank account of one of several brokers authorized by the regional suppliers to act as their agents.

Do you know who the brokers are? Can you identify them?

Mr. CONAHAN. I can provide that information for the record. I believe that the Department of State considers that classified information. I and they could provide it, but it would be in a closed forum.<sup>1</sup>

Mr. BARNES. It is classified information, who is providing this humanitarian assistance?

Mr. CONAHAN. It is my understanding the Department of State considers it sensitive so that it is classified information.

Mr. BARNES. Can you tell us whether these brokers work for the FDN?

Mr. CONAHAN. I do not have that information. They work on behalf of suppliers in the region.

Mr. BARNES. And it is secret who is selling clothing and medicine, who is brokering the sale of clothing and medicine. Why is that classified?

Mr. CONAHAN. The General Accounting Office, and this is not a cop-out, simply does not have original authority to classify or declassify. We are obliged to handle information as it is treated by the agency from which we obtain it.

Mr. BARNES. I understand it is not your decision on that but it is extraordinary that the purchase of medical supplies, food, clothing and who we are buying it from could be classified.

Mr. CONAHAN. I think, Mr. Chairman, that the position of the Department of State with respect to the individual suppliers is that their identification might constitute a threat to individual suppliers.

Mr. BARNES. Including the brokers in the United States.

Mr. CONAHAN. I do not take it to include the brokers.

<sup>1</sup> The information, referred to was provided to the subcommittee, in a classified form, on March 21, 1986.

Mr. BARNES. Are these payments made to a separate account or are they comingled with other funds that are available to the forces that we are assisting?

Mr. CONAHAN. The payments are made directly to the suppliers in the United States and they are made to the brokers with respect to items being procured in the region.

Mr. BARNES. This is obviously an unusual arrangement for the provision of U.S. assistance to other countries or to the people operating in other countries. As Director of the National Security and International Affairs Division of the GAO, have you ever seen anything like this before?

Mr. CONAHAN. Well, as you know, Mr. Chairman, there are any number of forms for the distribution or assistance funds. Under the economic programs, we have the economic support fund. We have cash transfers, we have project assistance. We do have payments made directly to U.S. suppliers under those various programs. So to that extent, I do not see much difference. I think that the difference here is that the legislation which authorized the funding directed the executive branch to set up a mechanism which would assure that the funds were being used for the purposes intended and to avoid any possibility of diversion of the funds.

For purchases being made outside of the United States, the administration has not been able to put such a system in place and in fact does not have assurances therefore that the funds are being used for the purposes intended and are not being divested.

#### ADMINISTRATION IS NOT COMPLYING WITH THE LAW

Mr. BARNES. So what you are saying is the administration is not complying with the law with respect to assuring that the funds are not being diverted and permitting you to make an accounting to demonstrate that?

Mr. CONAHAN. The law I believe says that the administration will come up with an appropriate mechanism. I think that I would have to say that—

Mr. BARNES. And have they done that?

Mr. CONAHAN. They have not done that.

Mr. BARNES. And they have not done that.

Mr. CONAHAN. I think that under the circumstances that the Department of State has done about as much as it can. To the extent that the Department of State has to live with the constraints imposed by countries in the region, I do not know how it can go that extra step to verify what the records provided to it show. And I think that is a necessary part of providing the kind of accountability and the kind of control that was envisioned in the statute.

Mr. BARNES. Well, I do not want to put words in your mouth but the statute is pretty clear that it envisions mechanisms that can assure that the funds are being used for the purposes enumerated in the statute and you have testified that you cannot do that for a variety of reasons which may be beyond the control of the State Department but you cannot do it.

Mr. CONAHAN. I agree with that.

Mr. BARNES. You say that there is no evidence that you have discovered that there has been diversion of funds, but if somebody on

the other end wanted to, the procedure that has been established would facilitate that because you just cannot track it?

Mr. CONAHAN. I do not think that I would agree that it would facilitate that. I would say that it would not detect it.

Mr. BARNES. I see. Well, thank you very much. Let me recognize my colleagues for questions. The gentleman from California, Mr. Lagomarsino.

Mr. LAGOMARSINO. Thank you, Mr. Chairman. Mr. Conahan, your statement reads for release on delivery expected at 2 p.m., March 5, 1986. March 5 is today I presume, yesterday was March 4. In this morning's Washington Post, there is a story about the investigation. Did your office deliver a copy of the statement to the Washington Post sometime before this morning's edition came out?

Mr. CONAHAN. No, sir, we did not.

Mr. LAGOMARSINO. Who were copies delivered to?

Mr. CONAHAN. To my knowledge the only copy delivered outside of the General Accounting Office was to this committee.

Mr. LAGOMARSINO. To this committee?

Mr. CONAHAN. To this subcommittee. We delivered a draft copy yesterday afternoon.

Mr. LAGOMARSINO. OK. Mr. Conahan, do you believe that the headline in the Washington Post this morning appropriately characterizes your report?

Mr. CONAHAN. I believe that I would like to go about that in two ways. It talks about GAO faulting something.

Mr. LAGOMARSINO. I understand about the headline.

Mr. CONAHAN. It is "GAO faults auditing of contra aid." I think in a technical sense we are not talking about auditing, we are talking about controlling the funds. We are talking about accountability over those funds. So that if we were to substitute a control in accountability, I would feel much better than audit. Now insofar as GAO faults is concerned, again, if you are using as your criteria the provision of law enacted to authorize these funds, I would say, yes, GAO is faulting the accountability and control.

If you bring in the notion of what is practical and doable then I back away a little bit from pointing such a direct finger.

Mr. LAGOMARSINO. Now you say in your statement that based on your review, you can say that you saw no evidence of funds being diverted for lethal use. Is that correct?

Mr. CONAHAN. That is correct, sir.

Mr. LAGOMARSINO. This is sort of a hypothetical question but I think you can answer it. Does it seem likely that the democratic resistance would have been relatively inactive militarily over the past 6 months if they had been diverting funds for lethal use?

Mr. CONAHAN. I think one needs to take into account the amount of funds that we are talking about here. To date, there has been a maximum of about \$12 million in shipments. Going back as recently as early February, it was only at about perhaps \$8 million. We are reasonably satisfied with the shipments made out of the United States. So we are talking about a smaller amount of money. Now what that translates to in terms of their ability to use that for barter or exchange, I just am in no position to answer that.

Mr. LAGOMARSINO. How often is the GAO requested to give a full accounting of U.S. funds going to other countries?



Mr. CONAHAN. Quite frequently. We spend something on the order of 150 to 160 staff years of work following international programs. I would say about half of that deals with both military and economic assistance programs around the world.

Mr. LAGOMARSINO. Now, obviously in this forum or at least in this open forum, we cannot talk about any kind of covert military assistance that might be going to places like Afghanistan but we do have an overt humanitarian program there and another one planned. Have you been asked to do an accounting on that?

Mr. CONAHAN. No we have not, sir.

Mr. LAGOMARSINO. Thank you.

Mr. BARNES. Before recognizing the gentleman from Massachusetts, the Chair would just note that when the committee received the document from the General Accounting Office yesterday, copies were made available to the minority immediately yesterday as well as to other members of the committee.

Mr. LAGOMARSINO. If I might say, Mr. Chairman, not immediately and only to the minority counsel for this side of the aisle. I understand it was given to all of the legislative assistants on your side.

Mr. BARNES. I do not know what distribution your staff makes but on our side, our staff gives it to everybody. I do not know what your staff did as soon as he received it yesterday afternoon. But he had access to it as I understand it when the committee received the testimony yesterday. In my experience, Congress is not the sole source of distribution of documents that are to be held for a day or two. I am constantly opening unmarked envelopes with all kinds of internal administration stuff that people want to see land on my desk for some reason.

So I do not know that the suggestion that was made, if there was an implication intended, was warranted.

Mr. LAGOMARSINO. There was.

Mr. BARNES. The Chair would recognize the distinguished gentleman from Massachusetts.

Mr. STUDDS. Mr. Chairman, I do not have many questions. I never read those documents; I wait for the convenient summaries provided by the Post and New York Times to make it much, much easier. This document upon which the security of the Republic obviously now depends, was that classified?

Mr. CONAHAN. Our statement?

Mr. STUDDS. Whatever it was that was delivered to the Washington Post?

Mr. CONAHAN. No, sir.

#### ATTITUDES OF CENTRAL AMERICAN NATIONS ON AID

Mr. STUDDS. Oh, I could have sworn that something awful happened. Let me ask you just one question. You said that one of the things that you were not permitted to testify about because the State Department informed you was classified, did I understand you to say was the attitude of countries in the region? Is that what you said?

Mr. CONAHAN. The attitudes of countries in the region concerning this particular humanitarian assistance effort.

Mr. STUDDS. You were informed by our Department of State that the attitude of the countries of Central America, many of whom I assume are our allies, with regard to this single most important of U.S. policies in the region is classified?

Mr. CONAHAN. I believe that that is an accurate description of the category of information that the Department of State said was classified.

Mr. STUDDS. Well, no wonder they want the CIA to run the program. I wonder, do you know whether directives have been given to the heads of State in this hemisphere not to speak about this program?

Mr. CONAHAN. No, sir.

Mr. STUDDS. I am glad to hear that. I have no questions, Mr. Chairman.

Mr. BARNES. The gentleman from Arizona.

Mr. McCAIN. Thank you, Mr. Chairman. Mr. Conahan, when the GAO finds deficiencies in auditing practices say at the Defense Department, remedies are usually recommended. There is usually a place for, in fact you have made extensive recommendations as to how we could revise the Defense Department usually along GAO lines. Do you think that the Nicaraguan Humanitarian Assistance Office has so mishandled the aid that the Office should be shut down?

Mr. CONAHAN. I think that a decision has to be made as to whether we want to continue the program. I am not sure that the Assistance Office can do an awful lot more than it is doing right now to provide the kind of accountability and control that they originally intended to provide and wanted to provide.

Mr. McCAIN. So, I will ask the question again. Do you think that the Office should be shut down?

Mr. CONAHAN. I have no basis for suggesting it be shut down.

#### REMEDIES FOR THE PROGRAM

Mr. McCAIN. Then, what kind of remedies do you recommend?

Mr. CONAHAN. That is a very difficult question. I do not have a very good remedy so long as the cooperation of governments in the region does not improve. I think that we need that kind of cooperation from those governments in order for the State Department to put in place the kind of in-country controls required.

Mr. McCAIN. And I think you are making an important statement here that when you said that the State Department has "Done about as much as it can." And, I think then that we have to look at not only whether the State Department has been able to carry that out but what factors have been involved that prevented them to be in the words of our chairman "in compliance with the law."

In light of diplomatic sensitivities, do you think it might be easier to track supplies if the program was not a overt program, if it were a covert program?

Mr. CONAHAN. I do not think that I would want to take the position that this particular program be covert. I will not take that position.

Mr. McCAIN. I am not asking. That is not my question, Mr. Conahan. My question is, Would it be easier to track the supplies were the program covert rather than overt?

Mr. CONAHAN. As I understand covert programs, I believe that we might be able to put in place the kind of mechanism.

Mr. McCAIN. Thank you. In your experience, is there another agency within the Government that could better handle the flow of supplies then the agency that is presently handling it?

Mr. CONAHAN. I cannot make a statement on that, no, sir.

Mr. McCAIN. You stated in your testimony that the State Department is unable to observe the in-use of supplies for the Contras, by in-use, do you mean observing the disposition of supplies in the battle zone?

Mr. CONAHAN. I think that you can carry this as far as you wish to go. I think that there should be at least a selective sampling of observations concerning the supplies going from suppliers to the Contra forces and then some selective observation of the use of those supplies.

Mr. McCAIN. And, do you have any suggestions as to how we could observe as to how those are being used either in the sensitive diplomatic areas or in the battle zone?

Mr. CONAHAN. Under the current set of circumstances as described by State, no, sir, I do not.

Mr. McCAIN. And, do you agree with those circumstances as described by State that their constraints are valid?

Mr. CONAHAN. I believe the constraints are valid.

Mr. McCAIN. So, basically we have a situation here where Congress passed a law; it was not the State Department or the administration that sought this particular version of humanitarian assistance, it was a carefully crafted compromise as I remember it. And they are faced with a set of obstacles that basically they cannot get around given the present circumstances in Honduras, Costa Rica and the neighboring countries around Nicaragua. Would you say that statement is accurate?

Mr. CONAHAN. I agree with you.

Mr. McCAIN. Thank you very much. Thank you, Mr. Chairman.

Mr. BARNES. The gentleman from Connecticut is recognized.

#### COOPERATION FROM COUNTRIES IN THE REGION NEEDED

Mr. GEJDENSON. Thank you, Mr. Chairman. Did you say that we were not getting cooperation from the countries in the region with respect to the question Mr. McCain asked?

Mr. CONAHAN. I think the short answer to that is, yes, we are not getting the kind of cooperation needed in order to put in place in country the mechanism to make the observations and verifications that are required.

Mr. GEJDENSON. Why are we not getting that cooperation?

Mr. CONAHAN. I am afraid, sir, that you are going to have to direct that question to the Department of State. I simply do not have an answer for that.

Mr. GEJDENSON. You may have answered some of these already but let me just go through them quickly. Have your auditor's come across any evidence that any of the \$27 million has been used to

meet expenditures incurred prior to congressional approval of the \$27 million?

Mr. CONAHAN. Not prior to congressional approval, no, sir.

Mr. GEJDENSON. Is there any evidence that diversion of funds has occurred such as through air shipments to Honduras being held up by the Honduran Government or through false billing or that UNO has paid too much for items? Are we overcharged for any of the things we get?

Mr. CONAHAN. I do not think that that question can be answered by either ourselves or by the Department of State. I think that mechanisms that we are talking about need to be in place in order to determine that.

#### IDEA, INC.

Mr. GEJDENSON. In the administration's 90-day report on Nicaragua issued on February 4 of this year, there is a summary of grants. Did you look at the grants made by Nicaraguan Humanitarian Assistance Office to IDEA, Inc., Project Hope, and I think, the Foundation of Nicaragua. Did you look at those three?

Mr. CONAHAN. Yes, sir. We have seen the invoices behind those expenditures.

Mr. GEJDENSON. OK. Do you know if Oliver North's unofficial Ambassador to Central America, Rob Owens, runs IDEA, Inc.?

Mr. CONAHAN. We know that he runs that organization. However, we are not clear on what his role is with respect to the program.

Mr. GEJDENSON. Do you know if Rob Owens has been the recipient of any moneys paid out by Nicaraguan Humanitarian Assistance Office?

Mr. CONAHAN. It is my understanding that his salary is paid for out of these assistance funds.

Mr. GEJDENSON. Do you know where IDEA, Inc. is incorporated?

Mr. CONAHAN. No, sir, we do not have that information.

Mr. GEJDENSON. Can you get us that information?

Mr. CONAHAN. Yes, sir.

[The following was subsequently submitted:]

The Institute for Democracy, Education, and Assistance, Inc. [IDEA] was incorporated in Washington, DC, on January 9, 1985. IDEA has filed with the Internal Revenue Service for nonprofit status.

Mr. GEJDENSON. Now, from your work, you cannot see whether the lack of cooperation by the governments in the region was based on philosophical objectives or that there was no benefit to them. Some people might imply that unless certain parties got a piece of the action, the program could not go forward successfully—a practice often times referred to as grease payments in the private sector. Is that what we need to make this program work? Do we have to increase the grease payments? Is that your sense of things?

Mr. CONAHAN. No, I have no sense on that, sir. I think that the Department of State needs to answer that question.

Mr. GEJDENSON. Thank you.

Mr. BARNES. The gentleman from Indiana is recognized.

Mr. BURTON. I have no questions, Mr. Chairman.

Mr. BARNES. The gentleman from Pennsylvania is recognized.

## COOPERATION OF NEIGHBORING COUNTRIES

Mr. KOSTMAYER. Thank you, Mr. Chairman. Mr. Conahan, is the key problem here the State Department or is the key problem the recipient country, the cooperation of the recipient country, Honduras?

Mr. CONAHAN. I think that the recipient of these goods and services is the resistance movement. At least that is what is indicated in the program.

Mr. KOSTMAYER. But it is going through Honduras.

Mr. CONAHAN. Certainly these are going through a number of countries in the region.

Mr. KOSTMAYER. Well, is that where the problem lies in your judgment in these countries. Where is the problem here?

Mr. CONAHAN. Insofar as the needed mechanism to control and verify the delivery of these supplies is concerned, I believe that the Department of State's position is that they are simply unable to do that because of the position of the countries in the region. And I have no reason to believe that that is not the case.

Mr. KOSTMAYER. Someone who ought to be doing the auditing is not and that is not the State Department.

Mr. CONAHAN. I would expect that employees of the State Department would be the ones controlling and accounting for the funds if they were in a position to place themselves in country to do that.

Mr. KOSTMAYER. But they are being prohibited from doing that because they cannot place themselves in the recipient countries or because they can place themselves in the recipient countries but those countries are not allowing them to do it?

Mr. CONAHAN. I believe, subject to the Department of State's clarification, that their position is that the countries are not interested in having their agents in country for the purposes of following the provision of these assistance items.

Mr. KOSTMAYER. Did you ask the State Department about this, about their relationship with these countries?

Mr. CONAHAN. We had extensive conversations on this particular score and that was their response.

Mr. KOSTMAYER. Their response was that those countries were not willing to welcome State Department personnel?

Mr. CONAHAN. Yes, sir. I believe that that is it.

Mr. KOSTMAYER. Is there any reason to think that anything will change here if the President's request for \$100 million is acceded to by the Congress?

Mr. CONAHAN. I have no information at all on that, sir.

Mr. KOSTMAYER. Do you have any reason to think the situation will be improved or not be improved. Will the same methods be used or not used based on the request?

Mr. CONAHAN. I believe that if you want to have control beyond what you have now, you are going to have to come up with a different mechanism. I think that that is very much dependent—

Mr. KOSTMAYER. Do you see that new mechanism outlined in the President's request?

Mr. CONAHAN. No, sir, I have not seen that in the President's request.

Mr. KOSTMAYER. And you have read the President's transmission to the Congress?

Mr. CONAHAN. Yes, sir.

WITHOUT NEW MONITORING MECHANISMS, THE SAME PROBLEMS WILL  
PLAGUE THE PRESIDENT'S REQUEST

Mr. KOSTMAYER. Are you able, sir to make a judgment as to whether or not the very same problem would persist if the Congress exceeds to the President's request for \$100 million unless the circumstances are changed?

Mr. CONAHAN. Unless circumstances are changed with respect to the disposition of those countries toward State's monitoring this program, conditions will not change.

Mr. KOSTMAYER. But we could very well end up not knowing how this money is spent, whether it is spent for the things which we want it spent or not?

Mr. CONAHAN. If the current monitoring mechanisms are continued, that is true.

Mr. KOSTMAYER. Thank you. Thank you, Mr. Chairman.

Mr. BARNES. The gentleman from Illinois is recognized.

Mr. HYDE. Thank you, Mr. Chairman. Mr. Conahan, as I understand it, it is important to do an effective job, to have the cooperation of the country adjacent to Nicaragua, to help put in place personnel and mechanisms to do this accounting job that the law demands and that that country is very nervous because it borders on Nicaragua which has the largest standing army in Central America and it is in a very delicate situation. And if it cooperates to the fullest extent that the gentlemen on your left want, why that would require Honduras to be a little more forthcoming in this struggle. And at this point, not knowing where we are going to come down ultimately and suspecting however, they are playing it very carefully.

Would that be a correct analysis?

Mr. CONAHAN. I think that I would restrict my remarks to the monitoring of the aid and not the intentions of governments in the region, sir.

Mr. HYDE. Well, in other words you have no comment on Honduras' delicate situation dealing with the Nicaraguans, is that correct?

Mr. CONAHAN. That is correct, sir, right.

Mr. HYDE. But it does not take any great insight to grasp their situation. Well, that is beyond your purview, as well.

Mr. CONAHAN. Yes, sir, it is.

Mr. HYDE. All right. Yes, I yield to my friend, Mr. McCain.

Mr. MCCAIN. If I could possibly ask a question a little differently. Do you believe that this operation could have been carried out more efficiently if it had been a covert rather than overt operation. Do you think that we could have been able to place the proper accounting procedures and accountability procedures if it had been a covert rather than overt operation?

Mr. CONAHAN. The General Accounting Office has been patently unsuccessful over the years in gaining the necessary access to

review covert operations in order to reach the kind of a conclusion that you are asking for.

Mr. McCAIN. Thank you.

Mr. BARNES. The gentleman from New York, Mr. Weiss, is recognized.

Mr. WEISS. Thank you very much, Mr. Chairman. So that if I can follow up on that very last question, what you are saying is that if it were a covert operation on the basis of your past record and history of involvement in attempting to monitor or audit such situations, you have no expectation that you would be any more successful in monitoring covert operations then you have been in monitoring or auditing overt operations, is that correct?

Mr. CONAHAN. Insofar as GAO is concerned, yes, sir. I think a point needs to be added there however that that does not run to the Department of State as well.

Mr. WEISS. You state in one of closing sentences of your report that you found nothing however to indicate that Nicaraguan Humanitarian Assistance Office paid for lethal items and that that applies, I assume, to both the items purchased in the United States and items purchased regionally?

Mr. CONAHAN. That is correct, sir.

#### NO AUDIT TRAIL AFTER THE MIAMI BANKS

Mr. WEISS. Now, as to items purchased regionally.

Mr. CONAHAN. No. We are not able to make that statement. What we have are copies of invoices submitted in support of payments made to the brokers in Miami and no audit trail beyond that.

Mr. WEISS. You have paid for a period?

Mr. CONAHAN. Yes, sir.

Mr. WEISS. Did you attempt to go to the recipient countries to see if you could track any of these items?

Mr. CONAHAN. Yes indeed, we did request facilitation by the State Department for our people to visit countries in the region for the purpose as stated. They took the position that it would not be in the interest of the United States to have the General Accounting Office taking a look at the program in countries. They went on to point out that they themselves do not have a presence in the country and that the U.S. Embassies are not involved and therefore that there really would not be anyone for the General Accounting Office to deal with.

They went on to point out that for us to attempt to deal with suppliers in the country might put them in jeopardy. And in the final analysis, the Department of State needs to take the lead in terms of U.S. Government employees in country. And with that sort of an attitude, we would not have been able to really do anything.

Mr. WEISS. So that again if I can sort of capsulize that, you made the effort to go to the recipient counties and State said, do not do it because it would not be in the interest of the United States of America for you to do it.

Mr. CONAHAN. I think that that is an accurate response on their part, yes, sir.

Mr. WEISS. OK. Now this is an overt humanitarian assistance program, is that correct?

Mr. CONAHAN. Yes, sir.

Mr. WEISS. Now, is there anything to your knowledge within the legislative authorization for that program which in fact mandates that the State Department keep the delivery of those over humanitarian supplies classified or secret?

Mr. CONAHAN. Not in the legislation, no, sir. I am not aware of any.

Mr. WEISS. So that whatever determination along the lines that you have described that the State Department made and offered to you is to the best of your knowledge the State Department's own conclusions and determinations not based on statute?

Mr. CONAHAN. Their determination that certain information is classified is their own conclusion, yes, sir.

Mr. BARNES. Mr. Reid.

Mr. REID. No questions.

Mr. BARNES. Mr. McCain, no questions? Other members of the subcommittee here who have not asked any questions. If not, Mr. Garcia is recognized.

Mr. GARCIA. Thank you, Mr. Chairman. On page 4 of your testimony you mentioned that items were stored in warehouses in New Orleans. How much at present in dollar value remains in the warehouses?

Mr. CONAHAN. As of February 10, I can tell you that approximately \$4 million were in those warehouses. I am not in a position to say what are in those warehouses today. As I mentioned earlier, I believe there has been some recent activity but the Department of State will need to describe that recent activity.

Mr. GARCIA. On page 6 of your testimony you mention that boots and other clothing were bought in the United States totaling approximately \$1.8 million. How much of that in dollar value remains in the United States?

Mr. CONAHAN. Again, if you are looking for a number reflecting the last day or two, I really do not have that information. I think that the State Department might be able to provide it. I think that together we could provide it in a closed session.

Mr. GARCIA. Is there any reason to believe the distribution of United States purchased goods will have a better chance of being distributed in Honduras in the near future?

Mr. CONAHAN. Only if again the countries in the region are able to cooperate with the Department of State in setting the in-country mechanisms in place.

Mr. GARCIA. Mr. Conahan, just let me say I have listened to you respond to the questions by my colleagues on the subcommittee and I want to congratulate you. Not only that, I think we are lucky to have you as a public servant. Thank you. No further questions.

Mr. CONAHAN. Thank you, sir.

Mr. BARNES. Mr. DeWine.

Mr. DEWINE. Mr. Chairman. Mr. Conahan, let me just see if I can summarize your testimony. I have read your testimony and listened to your testimony on some of the questions. My understanding of your testimony, would this be a fair summary that while you cannot trace everything directly to its audited beneficiary where it



goes in-country, in your entire audit you found nothing illegal, could not find anything that was against what was written into the law by Congress. You did not find for example that there were any goods that were used for lethal purpose. Would that be a fair summary?

**MECHANISMS TO TRACE TO END USE HAVE NOT BEEN ESTABLISHED**

Mr. CONAHAN. Except sir the point about complying with everything written into the law by Congress. Written into the law was a provision that the Department establish a mechanism to trace this humanitarian assistance to the end user. That has not been accomplished. So, with the exception of that particular matter which does go to the law, I think your summary is accurate.

Mr. DEWINE. Thank you. I would yield to my colleague from Arizona.

Mr. McCAIN. But you also state, Mr. Conahan that the State Department has done about as much as it can under the existing circumstances, that was your previous quote?

Mr. CONAHAN. Yes, sir. I made that statement.

Mr. McCAIN. Again, I would and I do not mean to be a little bit obstinate here but if your statement is that it is because of the diplomatic sensitivities that they have been unable to achieve or be in compliance with the law, I would ask you again, would it be easier to track these supplies were the program not so public. In other words, would the diplomatic sensitivities be quite as raw as they are now if the program was not a public program. Surely, you can voice an opinion on that.

Mr. CONAHAN. For the reason I stated earlier, sir, I am not really sure that I can. I think that one needs to have a body of observation and experience with respect to the kind of programs you are talking about, namely covert programs. And, we as an organization do not have that kind of experience.

Mr. McCAIN. You were able though to draw the conclusion that it is because of diplomatic sensitivities that the program, that they have not been able to comply in-country, is that correct?

Mr. CONAHAN. Yes, because that did not permit them to put people in-country in order to carry these duties out.

Mr. McCAIN. Indeed, and what would draw us to the conclusion that these diplomatic sensitivities were so high that the program is visible? You cannot follow that line of logic?

Mr. CONAHAN. Oh, I can follow the line of logic.

Mr. McCAIN. You do not agree with it?

Mr. CONAHAN. No, I do not want to make the other step and say that the people who manage covert programs are able to put in place the kind of mechanisms that would comply with the provision of law. I simply do not have that kind of experience to say that.

Mr. McCAIN. Thank you. But, do you have the experience to say from the diplomatic sensitivities that if the program were not so public, therefore the diplomatic sensitivities would be less?

Mr. CONAHAN. Oh, I think I could agree with that.

Mr. McCAIN. Good. Thank you, Mr. Chairman.

Mr. DEWINE. Thank you, Mr. Chairman.

Mr. BARNES. Gentleman from Nebraska.

Mr. MACKAY. No questions.

Mr. BARNES. Gentleman from California.

#### THE CONTADORA PROCESS

Mr. DORNAN. Thank you, Mr. Chairman, for the courtesy particularly since I am not on this particular subcommittee. I just came in late and I wondered if you had discussed at all the Contadora process, the nations involved and this very frustrating factor that probably has always existed in diplomacy and always will that diplomats will tell people one thing privately and another thing publicly. Given the OAS vote a few months ago where it was unanimous, with the exception of the Managua Sandinista government vote, that maybe the Contadora process needs a hard look at a closed session of the entire House of Representatives. We can all share stories of what we are told privately all the way up to the level of Foreign Minister in the Contadora nations and then as they say quite frankly with some genuineness, you must as Americans understand that as you have domestic political problems and we have domestic political problems. So, please do what is right, here is our advice, do not pay any attention to that man behind the curtain who is speaking publicly in his nation, this is what we really believe. Has anybody discussed that?

Mr. CONAHAN. The State Department is coming up right after us. That might be the appropriate time to discuss that.

Mr. DORNAN. I hope they listen to the questions so I can refer to it as Dornan question A and not have to repeat it. Nobody on the panel has any comment on that though and you have never experienced that yourselves.

Mr. CONAHAN. We have not looked into that at all, sir.

Mr. DORNAN. All right, thank you very much.

Mr. BARNES. Mr. Conahan, the Public Law 99-83 reads and I quote, just so we are all sure what we have been talking about here for the last hour.

The President shall establish appropriate procedures to ensure that any humanitarian assistance provided by the United States Government to the Nicaraguan Democratic Resistance is used only for the intended purpose and is not diverted through barter, exchange, or any other means where acquisition of weapons, weapon systems, ammunition or other equipment, vehicles or material which can be used to inflict serious bodily harm or death.

Your testimony is that the President has not established such an appropriate procedure, am I correct?

Mr. CONAHAN. Yes, sir.

Mr. BARNES. Thank you very much. And we want to thank you and your colleagues for all of your efforts and for appearing here today. We recognize you have undertaken a difficult assignment under circumstances that made it impossible for you to complete your assignment. We understand that and we are very grateful for your help. Thank you very much.

Mr. CONAHAN. Thank you, Mr. Chairman.

Mr. BARNES. We just went into session that is conceivable. We will have an initial quick vote and I was just waiting to see if we will before we ask you to begin.

Secretary ABRAMS. If you promise to vote right, we will not regret the delay.

Mr. BARNES. We all always vote right. Well, Mr. Secretary, they are praying over in the House right now. We can probably all use that assuming the prayer is just about completed, it sounds as though we may not have a vote here at the beginning of the session. So we are happy to welcome back to the subcommittee the Honorable Elliott Abrams, Assistant Secretary of State for Inter-American Affairs.

Mr. Secretary, we are pleased to have you here and we look forward to receiving your testimony to the subcommittee this afternoon.

Secretary ABRAMS. Thank you. I wonder if we could start with Ambassador Duemling. There is some more recent information than that which is in the GAO report. They have to come up with some date of conclusion, a sort of cut off date for reporting which I think they said was February 10 or around then, so it has been about a month. And, there are some details we can add before I get into my own statement.

Mr. BARNES. Thank you. Mr. Ambassador, welcome back to the subcommittee. I am sure all my colleagues remember our meetings with you. We appreciate your being here.

**STATEMENT OF HON. ROBERT DUEMLING, DIRECTOR NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE [NHAO], DEPARTMENT OF STATE**

Ambassador DUEMLING. Thank you, Mr. Chairman. Let me just offer two or three observations that I hope will contribute to your information and your understanding of where we are now with this program.

Mr. Chairman, you referred in the earlier testimony to the statement provided by the General Accounting Office and you asked whether or not NHAO had been asked or given an opportunity to review that statement. I would like to clarify the response to that question. I was shown that statement yesterday morning and I was asked only to address issues of classification as to whether I found anything in that that should not be discussed in an open hearing. That was the only aspect of that statement that I was asked to address. I want to make sure we are clear on that.

On the matter of where we are at the moment, I think the GAO was quite clear as to the data that they were providing to you and the date on which that data was valid. Let me just try to bring you up to date a little bit further.

You may recall that we had \$18 million available to this program until about 1 week ago when the third and final tranche of \$9 million was provided. In late February, of that \$18 million, we had obligated \$17.8 million, we had committed \$16.8 million and at the present time about \$11 million in assistance has actually been delivered into the hands of the democratic resistance in the region. At the present time, what remains in warehouses in the United States is probably valued at less than \$1 million. This is a significant change from the data available to the GAO when they were last able to assess the situation.

So I just wanted to give you that update. Those are the only points, Mr. Chairman, that I wanted to make. There are others that I am sure will come forward in the course of our testimony.

Mr. BARNES. Thank you, Mr. Ambassador. Mr. Secretary.

**STATEMENT OF HON. ELLIOTT ABRAMS, ASSISTANT SECRETARY  
OF STATE FOR INTER-AMERICAN AFFAIRS**

**NOT A FULLY OVERT PROGRAM**

Secretary ABRAMS. Let me make a general comment if I could. I think we all recognize the difficulties with this program. It certainly was not a program that we designed. It is not a fully overt program and it cannot be a fully overt program for two reasons. First of all, diplomatic sensitivities on the part of countries in the region who do not wish their participation, or for that matter their refusal to participate, to be disclosed publicly. And then there are security problems. That is, if we were to make public exactly where what precise number of things are being delivered, that would help the Sandinistas, that would be useful military information for them.

So for both reasons, you might say, military and diplomatic, it cannot be a fully overt program. That raises the audit question and it is a serious question. That is absolutely correct. How do we deal with that question. Well, one way we deal with that question is by getting information from the intelligence community as to the nature of things that arrive in the theater, if I can put it that way. That is, we do get reports that say so many boots or so many uniforms or so much in the way of medicine arrived at a certain place on a certain day.

Now if we know that we have paid for that stuff and that it has been invoiced and there it is, it arrived and was distributed, then that really does complete the paper trail. It shows us that in the real world, what we saw on paper is in fact happening. We do not do that for every single delivery, for every single item. That would I think be done if this were a fully covert program and were being handled in the way fully covert programs are. The GAO of course does not audit such programs. That is done and our reporting is done on covert programs to the Intelligence Committees. And we have talked to the Intelligence Committee about this particular program and are happy to share and do share all of our information about it with them. But this is a hybrid program and that is the trouble and we saw this before it started and that is one of the reasons we did not like this set up. But that is the one you gave to us and I am grateful to the GAO for stating what I think to be the case, that Ambassador Duemling and his staff have done absolutely everything possible to make this program work. And it is working pretty well. Thank you.

Mr. BARNES. Thank you, Mr. Secretary. You heard my last question to Mr. Conahan of the GAO which he agreed that the administration is not operating this program consistent with public law under which the program is authorized. Do you agree with his statement that the administration is operating this program in violation of the law?

Secretary ABRAMS. No, he is completely incorrect. This program needs to be operated with procedures that are appropriate to the realities of Central America and of our ability to supply into that area. And these mechanisms that we have are entirely appropriate.

Mr. BARNES. Well, we have a rather divergent view between the General Accounting Office and the State Department on whether or not this law is being operated pursuant to the law. The President's request to the Congress for the \$100 million says:

Approval of this request will permit me to use any department or agency in the Executive Branch including agencies involved in intelligence activities in carrying out programs and activities to assist the Nicaraguan resistance.

What agency will in fact be used to operate the program if the Congress approves the \$100 million?

Secretary ABRAMS. The President's proposal allows him to use essentially DOD or CIA, but precisely how the program would be run in detail and what programs would do what, which agencies would do what is not for an open hearing.

Mr. BARNES. But you would tell the subcommittee, you would answer that question in a close session with the subcommittee. If we went into executive session now, you would tell us which agency is intended to operate the program?

Secretary ABRAMS. Sure.

Mr. BARNES. We may want to do that.

Secretary ABRAMS. Both agencies, I think, would have a role but to get into more detail than that, I think, is a mistake in an open hearing.

Mr. BARNES. Both agencies would have a role, so CIA will have a role, is your testimony.

Secretary ABRAMS. Oh sure.

#### CIA CONTINGENCY FUND

Mr. BARNES. The President's request also says that the approval by the Congress of his request will "satisfy the requirements, terms and conditions of Section 105A of the Intelligence Authorization Act for fiscal year 1986." Does this mean that CIA contingency funds would be available if we pass this resolution?

Secretary ABRAMS. No, I think what that means—I should not say no so quickly because I do not remember the exact provision—the purpose of those provisions of the President's proposal is in a sense to untie his hands so that any limitations on his use of CIA or DOD would be lifted.

Mr. BARNES. So, just so I understand you correctly, currently, my understanding is that there is a strict limitation of \$27 million that can be expended for U.S. assistance to these groups. If the Congress approves the President's request, it will be approving \$100 million but there will be no strict limitation that only \$100 million may be expended. The President would have access to other funds as he did prior to the restrictions being placed on the \$27 million. He could use CIA contingency funds, he could use other DOD funds?

Secretary ABRAMS. I think that is not correct. Again, I am not speaking here as the legal advisor to the State Department. But, it is not the intention, nor has it ever been the intention, to use any

other moneys except the \$100 million except as may be provided for by Congress or any committee of Congress.

Mr. BARNES. I am not asking about your current intention. I am asking, I guess I am asking for a legal judgment and you are telling me you cannot give that.

Secretary ABRAMS. I cannot give you a legal judgment.

Mr. BARNES. Our staff's legal judgment is that the President's request would eliminate the current restriction that only the \$27 million can be used and there would be no restriction that only the \$100 million could be used. Perhaps one of your, you have got a whole line of experts behind you there, perhaps one of them can answer the question.

Secretary ABRAMS. I did not bring any experts with me, Mr. Chairman. I came here alone and I did not bring a lawyer with me from the Department's office and I cannot answer it off the top of my head.

Mr. BARNES. Perhaps we could get that answer from the State Department fairly quickly because obviously that is a very relevant issue. If in fact approval of the President's request will free up not only \$100 million but access to the entire CIA contingency fund and I do not know how much is in there, I am not a member of the Intelligence Committee. But I assume it is a very substantial amount of money and access to other DOD funds that the President might determine to use. And we are talking of potentially \$300 million. This is a serious question whether we are just talking \$100 million or access to potentially substantial amounts of other funds.

Secretary ABRAMS. We have never, in any discussion I have had within the administration, contemplated going beyond that amount. But as to the question of what the legal status is, we will have to get a legal opinion.

Mr. BARNES. Today, the President of the United States said in response to a question at a press conference that it is his view that those who oppose this aid program are supporting the Sandinistas, at least that was the import of the President's statement. Is it your view that the Presidents of Colombia, Venezuela, Mexico, Panama, Brazil, Argentina, Uruguay, Peru are all supporters of the Sandinistas?

Secretary ABRAMS. Two things. First, having talked to some of those gentlemen, I can tell you that there is a unanimous dislike, verging on hatred, of the Sandinistas now among Latin American leaders because they are viewed as a Communist government which is a menace to the security of all those countries.

Mr. BARNES. So the President is incorrect then when he states that those who oppose aid to the Contras are supporters of the Sandinistas?

Secretary ABRAMS. You did not give me a direct quote from the President, but I would certainly say that if this program does not get through and there is no military support then, in fact, the effect of it is to consolidate Sandinista control of Nicaragua with all that follows.

Mr. BARNES. Let me read you what the President has said, is said to have said. Jack Germond apparently asked the President this morning, "Do you think that the people who are opposing you on

Contra aid are supporting the Sandinista government?" President responded, "It's hard not to." Then he was asked by Susan Page of Newsday, "Are the people who are opposing you on contra aid being used perhaps unwittingly by the Sandinista government?" "Yes, we know they've launched a disinformation campaign." "Is it your view that the Presidents of Argentina, Brazil, Uruguay, Peru, Colombia, Venezuela, Mexico, and Panama are all victims of a Sandinista disinformation campaign and are supporters of the Sandinista regime?"

Secretary ABRAMS. It is my view that those who are opposing this program and who may lead, if they win, to the defeat of this program are inevitably helping the Sandinista to consolidate their control over Nicaragua, sure. It is inevitable that if there is no help for the resistance, the Sandinista control is consolidated.

#### LATIN LEADERS OPPOSE CONTRA AID REQUEST

Mr. BARNES. Why is it that the democratic leaders of this hemisphere are opposed to this administration's policy then if this will only help the Sandinistas who, as you say, they do not like one bit. Why is it that they are opposed to this program and went to the trouble of sending their Foreign Ministers to Washington to plead with your boss, the Secretary of State, to call upon the President not to make this request of the Congress?

Secretary ABRAMS. I know this will shock you, but some of them are politicians say one thing publicly and one thing privately. Now, the fact is that a number of Latin American leaders have said to us, "If you would do a covert program, we would try to help out. But when you do this overtly and ask for a public declaration of support, that we cannot do because we come from democracies and the amount of agitation there would be at home makes it too high a price to pay for public support." But they are in no doubt and they agree completely with us, and I think with most of you as to the nature of that regime and the fact that something needs to be done about it.

#### HISTORY OF INTERVENTION

Mr. BARNES. Maybe one of the things that is in their mind is perhaps they have a bit of a historical perspective here. One of the problems that we have in dealing with this kind of intervention in our own hemisphere is that we have done it a lot. We have intervened in other countries in the hemisphere a great deal. And perhaps they are of the view that if there is to be an intervention of this type, it should be a Latin intervention and not one financed out of Washington, DC, but rather something that is carried on and promoted by Latins themselves.

Secretary ABRAMS. Well, they did that, you know. That is in a sense what helped overthrow Somoza, the intervention of Venezuela, Costa Rica, and Panama. The difference here is, and it is one that Latins have raised with us, with me personally, if this were a Latin problem the way Somoza was a Latin problem, then maybe Latins could handle it. But when you get the Soviet Union involved, it is a little bit bigger than the Latins and they cannot handle the Soviet Union. That is a different kind of intervention

from outside of Latin America and something needs to be done about it.

It is a different level of problem.

Mr. BARNES. And they are coming to Washington publicly urging us not to do what you are here testifying we should do. And you say that they went to all the trouble to send their Foreign Ministers up here in a very public and very unusual action of sending eight Foreign Ministers to Washington to urge the Reagan administration not to do this. And you are saying that that is totally counter to their private views. They are really cheering us on?

Secretary ABRAMS. No, that is not what I said. I think it is true of some of them. I know it is true of some of them that there is a variety of views in those governments. They all want the Sandinista regime to be stopped from consolidating communist control. That is eight out of eight as far as I have been able to detect. With some of them, I think they would be able to support a covert program but you would never know it, unfortunately, unless you were on the Intelligence Committee and could have access to the information. In other cases they would not.

In those cases, we have a disagreement. They actually think that, without any kind of military pressure on the Sandinistas, the Sandinistas will negotiate away things that are dear to their heart like the monopoly of power. And I think that is crazy. There is no precedent for believing that. There is no reason to believe it.

Mr. BARNES. But apparently some of their neighbors have rather different perspective on that including the Costa Ricans who probably have more to lose in this than anybody. But I have taken more time than is allotted here. I recognize the gentleman from California and I will extend the ranking minority member's time by the amount of time that my time was extended.

Mr. LAGOMARSINO. Thank you, Mr. Chairman. Ambassador Duemling, the suggestion was made earlier, I think you were here, that perhaps the administration gave the GAO report to the Washington Post. I understand you saw it yesterday. Did you give it to the Washington Post?

Ambassador DUEMLING. Sir, I did see it. I was not permitted to retain a copy. I can assure you that I did not give it to the Washington Post.

Mr. LAGOMARSINO. I did not think you did. You know, Mr. Secretary, referring to American interventionism, I guess like so many things it depends what side of the coin you are looking at. There have been two examples of American "interventionism" in the last several weeks, one in the Philippines and one in Haiti, I do not see any of our friends down there condemning us for that or any of our friends in Asia condemning us either. And I think most of them would acknowledge that it had a lot to do with the results that have come about.

What evidence is there that the Sandinista regime in Nicaragua is interested in negotiating a solution in Central America?

Secretary ABRAMS. Well, right now there is not any evidence. I mean the evidence points the other way. I think it was Mr. Dornan who mentioned that, at the OAS general assembly in December, there was just one country that voted against a resolution asking for progress in Contadora. Everybody voted yes except the Sandi-



nistas. It was the Sandinistas who formally asked that the Contadora talks be stopped from last fall until May of this year. So, there is not any evidence and I think that is actually quite logical, too. Why should they give up things that they want unless they are pressured into doing so.

#### UNITED STATES-NICARAGUAN BILATERAL NEGOTIATIONS

Mr. LAGOMARSINO. Why are they so anxious to conduct bilateral negotiations with us?

Secretary ABRAMS. Well, I think they are. They have always wanted to. They are trying not to have to deal with their Central American neighbors and they are trying not to have to deal with the pressures that they are now getting from Latin America to stop the repression and the subversion. And one way out of regionalism and a regional settlement is to try to deal only with the United States. And they believe, and I think it is probably correct, that if the United States were to abandon the resistance forces, it would be such a psychological and morale blow that it would really help the Sandinistas wipe them out.

Mr. LAGOMARSINO. I do agree with what you just said. As a matter of fact, about a year ago, Congressman Mike DeWine and I were in Nicaragua. We spoke to the Vice President and to the acting Foreign Minister and the acting Foreign Minister told us that while they denied that they were furnishing assistance to the guerrillas in El Salvador that they would stop if we did. How do Central American leaders in Honduras, El Salvador, Costa Rica, and Guatemala, feel about United States-Nicaraguan bilateral negotiations?

Secretary ABRAMS. We had very clear indications from those governments that they are not in favor of those negotiations and one of the reasons for it is very clear. They do not want their fate decided in secret talks between us and Managua. I just want to go back for a second on this negotiating track. It is in today's papers that President Duarte made an offer yesterday that if the Sandinistas would sit down with their armed opposition, he would sit down with his.

Secretary Shultz had previously in that meeting of the eight Foreign Ministers, changed the U.S. position to say that, if the Sandinistas would sit down with their armed resistance forces, we would sit down with them. We would go back to Manzanillo. So, if the Sandinistas will accept this negotiating offer, and just sit down with the resistance forces, there will be a triple track negotiation because we had already said we would sit down with them, return to Manzanillo. Now Duarte has said that he will sit down with the FMLN. This is all in addition to Contadora. You could really get something going here if you want to move along the diplomatic route; you really have an opportunity here if the Sandinistas will only come to the table.

Mr. LAGOMARSINO. Now, I understand Nicaraguan Cardinal Obando y Bravo has made it very plain that he favors the internal negotiations between the Sandinistas and the armed opposition. Is that still his position?

Secretary ABRAMS. Yes. The church does favor that and obviously favors a peaceful solution to all of this, and the way to get it started is to get the Sandinistas to the table.

Mr. LAGOMARSINO. You know it seems like we repeat a lot of things around here but sometimes it is necessary to get public attention, media attention. The last time you testified before this committee, there was mention about 2,500 armed Cubans or Cubans in the military forces in Nicaragua and it got a great deal of media attention even though that was nothing new, at least that had been claimed for some time.

What is the present situation. Can you upgrade us on what has happened with regard to the presence of Cubans, Libyans and so on in Nicaragua since your last appearance here?

Secretary ABRAMS. It is about the same. That is, the number is roughly 3,000 Cuban military, that is in addition to teachers or some other kind of people they may have there. And that is the largest Communist block military presence. The change over the past year has been that they tend to be more in an active combat role now than they had previously been, including piloting aircraft.

Mr. LAGOMARSINO. Thank you.

Mr. BARNES. The Chair recognizes the gentleman from Massachusetts.

Mr. STUDDS. Thank you, Mr. Chairman. Secretary, I am not going to mention the piece in the Post this morning by the White House Communications Director. I assume that is consistent with the Secretary of State's perpetual pleas to this committee for a calm and rationed and bipartisan approach to foreign policy. Unless you want to comment on that, I will just leave that be.

Let me say, as I understand it, the chairman asked you a variation of questions. Many of us have asked you about the position of the democracies in this hemisphere with respect to our policy in Nicaragua. If I understand your response to him, it was that Presidents and democracies face a difficult political situation and have to say one thing publicly and really believe another thing privately.

Are we to infer from that that Ronald Reagan secretly opposes aid to the Contras but the pressure of politics precludes him from actually saying that? I mean that logically flows from what you have been telling us. The question I had to ask you which I assume would not take you long to answer was, please list the Latin American heads of State who have expressed public support for providing military aid to the contras. If I understand your response, it is that we have to understand the difficulties they face because they represent democracies is that correct?

Secretary ABRAMS. We have to understand the difficulties they face because there are, in some of those countries, very large leftist movements in some cases funded by Cuba. There will be people out in the streets and there will be marches and demonstrations and all sorts of things will go on and it is a price to pay. Just to give you one example of the price, the Foreign Minister of Argentina about roughly 3 weeks ago made a statement, I think in Caracas if I remember right, in which he simply denounced Sandinista oppression in terms that I think any member of this committee would use, probably had used. And it provoked a tremendous, tremendous

outpouring of criticism in Buenos Aires. He did not say anything that I think any member of this committee would not be happy to say about oppression in Nicaragua and there was a huge reaction.

There is a price to pay and I just draw a distinction between what people say publicly and privately. And I know of no politician who is an exception to that rule.

Mr. STUPPS. I understand exactly what you said. I think it is important for everyone else to understand what you said. I think implicit in it among other things is the axiom I would hope that in a democracy, one cannot indefinitely conduct a foreign policy that does not have the support of the people of that country is a lesson which we apparently are doomed to learn and relearn and learn again.

#### MAKEUP OF THE FDN

Let me ask you to react if I may to a quote in a recent article, that I suspect you may have read, in the New York Review of Books. Mr. Robert Leiken, who has been a strong critic as you know of the Sandinista government, characterized the FDN as follows and I quote,

It's a movement with a peasant base, some populist middle echelon officers and a mostly reactionary leadership imposed and maintained by the United States.

Would you say that is an accurate assessment and if not, in what way is it inaccurate?

Secretary ABRAMS. Oh, I would say it is inaccurate. I do not think I have with me today but I would like to submit for the record if I could a more detailed account of this question that I submitted to the Senate Foreign Relations Committee at the request of Senator Lugar a couple of days ago.

[The following was subsequently submitted:]



United States Department of State

*Assistant Secretary of State  
for Inter-American Affairs*

*Washington, D.C. 20520*

February 24, 1986

Dear Mr. Chairman:

You asked about the allegation that the Nicaraguan resistance consists of, or is led by, supporters of the late dictator Anastasio Somoza. We have reviewed the facts carefully and conclude that this charge is incorrect and misleading.

The leaders of the main resistance organization, the United Nicaraguan Opposition (UNO), are Adolfo Calero, Arturo Cruz, and Alfonso Robelo. All three actively opposed Somoza while he was still in power. Calero was jailed by Somoza; first Robelo then Cruz became Junta members with the Sandinistas.

The largest guerrilla forces belong to the Nicaraguan Democratic Force (FDN), headed by Calero since 1983. Other important resistance organizations include ARDE, built by Robelo and former Sandinista Comandante Eden Pastora, and MISURASATA and KISAN guerrillas active among the Indians of the Atlantic Coast.

We expect the UNO coalition to continue to broaden, both inside and outside of Nicaragua, but UNO is already far more representative of the wishes of the Nicaraguan people than Somoza ever was or than the Sandinistas are today.

Resistance fighters are overwhelmingly rural youths. Most are between 18 and 22 years old; when Somoza fell in 1979, they were in their early teens. They fight today in response to Sandinista attempts to control their farming, their churches, and in some cases their indigenous cultures. Many joined the resistance in preference to being drafted to fight for the Sandinistas against their friends and neighbors. In defending their families and communities, these young Nicaraguans are fighting for self-determination above all else. Their struggle is not on behalf of the old dictatorship -- it is against the new dictatorship armed by Cuba and the Soviet Union.

The Honorable  
Richard G. Lugar  
The United States Senate.

The commanders are older than their troops (most are 25-35), are more likely to come from urban areas, and have more diverse occupations and backgrounds. They include both former National Guardsmen and former Sandinista fighters, but most are civilians from the very groups the Sandinistas claim to represent: peasants, small farmers, urban professionals, and students. One was a primary school teacher; another, an evangelical pastor. Even in the FDN, which has the largest number of former military professionals, less than half the commanders have prior military experience, either in the National Guard under Somoza or in the army, militia, or security services under the Sandinistas.

We have obtained information on the backgrounds of all senior FDN military leaders, including the incumbents of every position from the civil-military command down to task force deputy commander or executive officer. The results, based on a November 1985 survey, are summarized in Table I, below. Allowing for casualties, transfers, and other personnel changes, we believe that this general pattern holds today.

Table I

PRICR OCCUPATIONS OF SENIOR FDN MILITARY LEADERS

Civilian .....	78
Professionals or urban employees ...	39
Peasants or small farmers .....	34
Students .....	5
Military.....	71
National Guard.....	41
Officers .....	23
Soldiers.....	18
Sandinista army, militia, or security services.....	30
Officers.....	8
Soldiers.....	22
No information available.....	4
Total.....	153

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While accepting that most FDN fighters are peasants, a report prepared last year for the Arms Control and Foreign Policy Caucus (Who are the Contras?, April 18, 1985) claimed that the FDN "army is organized and commanded by former National Guardsmen." This allegation, though false, has become almost an article of faith for many who oppose U.S. support for the Nicaraguan resistance.

The Caucus staff claimed that "46 of the 48 positions in the FDN's command structure are held by former Guardsmen." "[A]ll but one of the 12 top central staff" and "five out of six regional commanders, and all 30 task force commanders" were said to be Guardsmen.

The Caucus staff is correct in identifying the FDN's military commander, Enrique Bermudez, as a former Guard officer. It is also correct in describing the FDN's regional and task force commanders as "the key military field leaders." But the report's overall figures and conclusions are incorrect.

The FDN has 14 regional commands (each has roughly 800 combatants organized into 2 to 4 task forces). At the time of the survey, the FDN had 52 task forces or equivalent commands (task forces have from 60 to 700 members). Tables II and III show the backgrounds of the regional and task force commanders. They are based on the same data as Table I.

Table II

PRIOR OCCUPATIONS OF FDN REGIONAL COMMANDERS

Sandinista Soldiers .....	6
National Guard Soldiers .....	2
Peasants or Small Farmers .....	2
National Guard Officer .....	1
Civilian Medical Doctor .....	1
Evangelical Pastor .....	1
Student .....	1
Total .....	14

Rather than 5 of 6 regional commanders being former Guard members as asserted in the Caucus report, we find 3 of 14.

Table III

PRIOR OCCUPATIONS OF COMMANDERS OF FDN TASK FORCES  
OR EQUIVALENT COMMANDS

Peasants or Small Farmers .....	19
National Guard .....	14
Officers .....	5
Soldiers .....	9
Sandinista Army or Militia .....	13
Officers .....	4
Soldiers .....	9
Medical Student .....	1
No Information .....	4
Vacant .....	<u>1</u>
Total .....	52

Whereas the Caucus report claimed that 30 out of 30 task force commanders were former Guardsmen, we find that 14 out of 47 did have prior Guard service, but that 33, more than twice as many, never served in the Guard in any capacity.

FDN headquarters links the strong-willed and independent field commanders who control the troops with the UNO political leadership. The Caucus claim of 11 former Guardsmen in 12 top positions omitted several positions held by persons who were not former Guardsmen. A complete count must include all members of the strategic and civil-military commands, all operational commanders, and all chiefs of support services. Of the 21 individuals in these positions late last year, 12 (including Bermudez) once served in the Guard. A former Sandinista Army officer and eight civilians from professional or technical backgrounds held the other key positions.

As noted above, it is true that the FDN's military commander was in the National Guard. But it is wrong to call Enrique Bermudez a backer of Somoza. Somoza had him posted out of Nicaragua during the last three years of his regime. Not even the Sandinistas accused Bermudez of human rights abuses under Somoza. In 1979, Somoza rejected a Carter Administration suggestion that Bermudez, then a colonel, might assume command of the National Guard after Somoza's departure.

The presence in the resistance of men like Bermudez seems unobjectionable unless one is seeking to deny to the resistance the services of all former Guardsmen simply because they once served in the Guard. That is a standard not followed by the Sandinistas themselves, who have used former Guardsmen together with Cuban, Soviet and other foreign advisors and technicians to consolidate their power on the basis of a pervasive military security apparatus.

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The Sandinista armed forces are the largest and best equipped in the history of Central America. They are at least six times larger than the armed forces of any of the Somozas at their height.

Although the Sandinistas frequently portray themselves as nationalists, their soldiers are trained and supported in combat by thousands of Cubans and other foreigners known as "internationalists." When Daniel Ortega spoke in Havana on February 5 to the Congress of the Cuban Communist Party about "the blood of Cuban internationalists fallen on Nicaraguan ground," he was talking about Cubans killed fighting Nicaraguans inside Nicaragua.

Resistance to the Sandinistas and to their Cuban and other foreign allies is eroding past differences and gradually forging a new national coalition similar to the one that rose up against Somoza. In the early days, who fought with whom typically depended on relationships that went back to the Somoza era. When Pastora, for example, first took up arms against his former comrades, he refused to have anything to do with former Guardsmen or with anyone else who had not been actively Sandinista at least for a time. The increased coordination within UNO between ARDE commanders associated with Pastora and FDN commanders also operating on the southern front is therefore a significant change.

More must be done to improve the human rights performance of the armed resistance (UNO has begun a program one of whose objectives is to assign at least one fully trained person in human rights to every task force). More must be done politically to develop, articulate, and coordinate the programs of the armed resistance with those of the civil opposition.

Sandinista abuses have aroused entire sectors of the population. Some FDN units are made up of men from the same cluster of villages or the same department. Other units reflect a new Nicaraguan nationalism: Four of the fourteen regional commands have among their commanders both former Guard and former Sandinista military personnel. In three of the four,

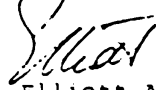


former Sandinista military personnel outrank (and hence give orders to) former Guardsmen.

To continue to associate Nicaragua's resistance forces with Somoza is patently misleading. Somoza is dead. The Central American dictatorships associated with Somoza have all given way to elected governments committed to democracy. Today, the only Central American President who wears a military uniform is the Sandinista president of Nicaragua.

We join with the Nicaraguan democratic resistance forces and the people of Nicaragua in our commitment to a democratic outcome for that country. The people of Nicaragua and the resistance forces are struggling for a future of freedom and peace, and they deserve our support.

Sincerely,



Elliott Abrams

**Secretary ABRAMS.** The FDN as one aspect of the opposition began with a very high percentage of people who had formerly been in the National Guard. What has happened over the past 6 years is that the people of Nicaragua have turned against the Sandinistas and more and more of them from all walks of life have joined the resistance from Cruz and Robelo on down to foot soldiers who were peasants.

**Mr. STUDDS.** Mr. Cruz and Mr. Robelo are not in the FDN are they?

**Secretary ABRAMS.** No, they are in UNO.

**Mr. STUDDS.** No, my question was about the armed opposition.

**Secretary ABRAMS.** UNO is the same. As a matter of fact if I remember the figure correctly, roughly 40 percent of the people in the FDN are former Sandinistas. If you look at every level, that is regional commanders, task force commanders; a task force commander is the guy who actually leads the troops into Nicaragua. There is roughly an even number of former Sandinistas and former guardsmen although there are more former guardsmen. I think it is a couple of percentage points higher. And then the rest are a very large mixture of people from all walks of life.

**Mr. STUDDS.** Are you suggesting the FDN is essentially a democratic operation?

**Secretary ABRAMS.** I am suggesting that it is a representative organization, has people from all walks of life in Nicaragua including a lot of ex-Sandinistas.

**Mr. STUDDS.** I see.

**Secretary ABRAMS.** Overall the most representative form of Nicaraguan is somebody who once had hope in the Sandinistas and has now lost it.

**Mr. STUDDS.** I do not want to get into a debate about what percentage of their commanders are former Sandinistas, I mean that is interesting, but who elected Mr. Calero head of the FDN?

Secretary ABRAMS. I do not remember actually how the choice was made. But I think as you know in exile movements it is extremely difficult to have everybody vote. I know of none in which that has happened.

Mr. STUDDS. I understand. It reminds me of the Vice President's observation about the adherence to democratic principles of Mr. Marcos.

Secretary ABRAMS. Well, I would say the same thing about the Afghan rebels. I know of no rebel group popular or unpopular at home or abroad in which it is possible to conduct the kind of democratic elections that you can inside a country when it has a democratic government.

#### REQUEST TO DELAY THE VOTE

Mr. STUDDS. Let me ask you this if I may. 31 members of this House, roughly a proportionate number of Senators and eight Latin American Foreign Ministers urged the President to delay submitting this military aid request as you know. The goal was to permit the newly elected governments in Central America in particular an opportunity to work their own way in their own region without the ongoing distraction of this debate which at this very minute is going on in four committees of the House and God knows how many in the Senate and will be headlines for some time.

Why did the administration refuse that request?

Secretary ABRAMS. There are two reasons. One of them that the appropriated funds for the Nicaraguan Humanitarian Assistance Office run out formally on March 31 but there is a more important reason than that and that is that beyond all of our debates that are in Washington, there is a reality out there——

Mr. STUDDS. I have to keep reminding myself of that. I think you are right.

Secretary ABRAMS. Yes, I think we all do. And there is a guerrilla war going on by the people of Nicaragua against their government. We could just sit, sure, 6 months delay, 9 months delay, let's give them all the time in the world to try to negotiate something. But the fact is that every additional day gives the Sandinistas with their Cubans and their helicopter gunships and their tanks and their armored cars another chance to crush this resistance.

Mr. STUDDS. We were a good deal more patient with the Somoza regime, were we not?

Secretary ABRAMS. President Carter was President at that time.

Mr. STUDDS. I believe that goes over a great many decades. Thank you, Mr. Chairman.

Mr. BARNES. The gentleman from Ohio, Mr. DeWine, is recognized.

Mr. DEWINE. Mr. Abrams, what effect are the gunships having on the war?

Secretary ABRAMS. It is a pretty profound effect actually. For one thing, it is extremely difficult to assemble a significant body of troops within Nicaragua because that is such a juicy target for those gunships. There is really no way to fight those gunships now. We have not given any military support. So that is one effect. The second effect is the morale or psychological effect of people who are

essentially defenseless against that kind of advanced weaponry. The third effect is, of course, increased mobility for the Sandinistas in terms of the fire power they have.

So I mean it has not turned the war around but it has had a very large impact.

Mr. DEWINE. How do you respond to people who say that there cannot be a military solution to the war, that there is no good scenario that you can put together or this country could put together whereby the democratic resistance forces will actually overthrow the Communists in Nicaragua. What is going to happen if this Congress and if we believe the press reports to be correct, if this Congress turns down this request by the administration, and votes no money?

Secretary ABRAMS. Yes. First let me say that the purpose of the President's proposal is essentially, you can put it this way, I would, to deny the Sandinistas a military victory. People say there is no military solution. There is for the Sandinistas, just crush the opposition. We are trying to avoid that, we are trying to prevent that. Of course, with unlimited amounts of Soviet and Cuban help and no American military assistance there will be a military solution all right—it will be a Sandinista military solution. Is a military victory possible for the resistance? My answer to that is, sure it is, sure it is.

You have a country which has turned against the Sandinistas, in which a vast majority of the people hate them for all the reasons that we are all aware of and becoming increasingly aware of. Mr. Leiken testified yesterday in the Senate Foreign Relations Committee with revelations that were actually news to me about clandestine prisons and the prevalence of torture and so forth.

Now what happens if we can expand the aid that we give to the resistance forces and they are able to spread out more within the country and increase their numbers. What are the Sandinistas going to do. Are they going to draft 100,000 more people. They cannot. First of all, they are going to run out of people and, secondly, people do not want to be drafted into the Sandinista forces. The political impact is huge within Nicaragua. What I would say is that the Sandinistas will soon be faced with a thought, a black cloud over their heads. And that thought is, we might lose someday, we do not know how many months or years in advance but we might. That is the day they come to the negotiating table or for the first time seriously think of negotiating.

Now conversely, what happens if no aid is voted? Well, with this level of Soviet and Cuban aid, what happens is that despite the willingness of people to fight, they are going to lose. The resistance forces will lose. Willingness to fight is not enough. Look at Hungary in 1956 or Czechoslovakia in 1968. Willingness to fight against Soviet tanks is not enough if you do not have something to fight with. What will happen is the resistance inside and outside will be crushed. The Sandinista Communist hold on a country, on a Cuban model, would be consolidated and then, considering the attention that they have devoted to El Salvador already and the support for terrorists throughout the hemisphere, then they will be completely free to dedicate full time to subverting not only neighboring countries but countries further away.

## EVIDENCE OF SANDINISTA SUBVERSION

Mr. DEWINE. Let me follow up on that and talk about the subversion, this has been something that the President has stated as one of his reasons for submitting this aid is the exportation of the Communist revolution. What hard evidence do you have to present to Congress that this has taken place in the past by the Sandinista Communists?

Secretary ABRAMS. Let me mention one incident which is probably the most horrifying and that is the incident in Bogota, Colombia, in the Palace of Justice, where the M-19 guerrillas took over the Palace of Justice, murdered half of the Supreme Court and a lot of other people who happened to be in the building. A number of the rifles that they used came from the Sandinistas, we know that to be a fact. So, there was a case of Sandinista support for one of the most despicable terrorist groups in the hemisphere.

As I travel in the hemisphere, I find that South Americans in particular are more and more aware of Sandinista support, not just for Central American terrorism but South American terrorism. With respect, just take another incident, it was only in last December that a little Soviet car, a LADA, broke down in Honduras on its way to the Salvadoran guerrillas carrying, I have the list here, carrying grenades, cryptographic material, money, ammunition for the FMLN from Nicaragua. So, this is going on both in the continuing direct subversion of El Salvador and they are sort of spreading out through their ties with the Libyans and the PLO and others.

Mr. DEWINE. Basically the smoking gun, if we could use the term from Watergate, sir?

Secretary ABRAMS. Well, we call it a smoking LADA.

Mr. DEWINE. Thank you.

Mr. GEJDENSON. Thank you, Mr. Chairman. Before you take credit for all the democratization that goes on in the world I think it is important to remember that in Guatemala, it was the Congress that put restrictions on military aid. It was the Congress that put restrictions on aid to Haiti despite the administration's earlier objections. I will say that although the administration came around near the end, the President's role in the election in the Philippines may have caused more confusion than help. Certainly it was the Congress, not the administration that put economic pressures on Mr. Marcos.

So, I am not sure that all your policies work but this one seems to be failing in spades. We started off with an attempt to try to keep Cubans out of there. You now say there are more Cubans than ever.

Secretary ABRAMS. I did not say that. I said there are the same number.

Mr. GEJDENSON. Oh, it has not grown since 1980?

Secretary ABRAMS. No, I said since the last time I appeared here.

Mr. GEJDENSON. Oh, but it has grown since 1981 when you first started the Contras with the help of the Argentinians.

Secretary ABRAMS. I was not in the Government at that time. I cannot comment on that.

Mr. GEJDENSON. Now, one of your people today said that we have got one choice, that we either give the Contras the \$100 million or

the Communists will win, the Warsaw pack will take the rest of Central America and we will have to send in the Marines. Do you have a provision for sending in the Marines if the \$100 million is not approved?

Secretary ABRAMS. No, we have no plans for the use of U.S. forces but I think you have to ask what the next President is going to do under certain circumstances.

Mr. GEJDENSON. Do you have a program that spells out how many years we are going to have to give them \$100 million?

Secretary ABRAMS. This program is an 18-month program as you know. It takes you to the end of fiscal year 1987.

Mr. GEJDENSON. And you think that by 1987 we are going to see a change in the Nicaraguans behavior?

Secretary ABRAMS. By 1987, we would have a very substantial increase in the pressure on the Sandinista regime. I would hope it would do something that has not happened yet, which is to make them negotiate seriously.

Mr. GEJDENSON. We have heard that before. I mean we were told 4 or 5 years ago the same kinds of things.

Secretary ABRAMS. Well sure, then you cut off everybody for 16 months and now you are wondering why things had a setback.

Mr. GEJDENSON. You wonder why they did not get any better in the time they were getting the money, I guess is the real question. First, we were interdicting arms and then we were overthrowing a government.

#### ALLEGATIONS OF DRUG TRAFFICKING BY THE CONTRAS

Let me ask you, have you asked the Drug Enforcement Administration to investigate allegations of drug trafficking by the Contras, in particular, the FDN? Have you asked that question?

Secretary ABRAMS. I have talked to DEA and there is absolutely no evidence nor any accusation of any involvement with drugs by the FDN. There was an accusation involving another group, it happens not to be the FDN.

Mr. GEJDENSON. And you specifically asked the Drug Enforcement Administration if they had any evidence of FDN activities in moving drugs?

Secretary ABRAMS. Sure. Sure, there was a press report about a month ago based on an inaccurate statement of what the DEA had said and we went right back to them again and asked that question.

#### IDEA, INC.

Mr. GEJDENSON. OK. On this company IDEA, Inc., where is that incorporated, do you know?

Ambassador DUEMLING. I can answer that, Mr. Gejdenson. That is incorporated in the District of Columbia.

Mr. GEJDENSON. It is. We tried to find it and could not. And, do you know the board of directors of that company?

Ambassador DUEMLING. Yes, sir, I do. I can provide the names to you if you wish.

[The following was subsequently submitted:]

## BOARD OF DIRECTORS OF IDEA, INC.

Kenneth Reed Harrison, Chairman, Westlake Village, Calif.; Robert W. Owen, Arlington, Va.; and Robert A.L. Wall, Rockville, Md.

Mr. GEJDENSON. I would appreciate that. And, they received about \$50,000 in the last batch of money. Can we discuss here what services they provide?

Ambassador DUEMLING. Yes, sir, we can.

Mr. GEJDENSON. And you would tell us what role Rob Owens plays in that?

Ambassador DUEMLING. Yes, sir, I can.

Mr. GEJDENSON. Thank you.

Ambassador DUEMLING. I am just making a note here.

Mr. GEJDENSON. That is all right.

Ambassador DUEMLING. Mr. Owen I believe is the president of IDEA. It is a nonprofit organization chartered in the District of Columbia. Last October, I may even have the letter here somewhere, I received a letter from the three principal leaders of UNO requesting the services of Mr. Owen, specifically asking for the assistance of IDEA and through IDEA the full time services of Mr. Owen. And they requested his services to assist them in coping with the administrative, if you will in part, the administrative chores of working with Nicaraguan Humanitarian Assistance Office to implement the assistance program. They had little or no experience in dealing with the U.S. Government on issues of this sort and they felt they needed some help.

So, they asked me for his services and I agreed to that. We therefore issued a grant to that organization, to IDEA specifically requesting his full time services to be of assistance to UNO. Now, what Mr. Owen does primarily is to help them in the paper and formulating chores. But also we have made some inputs as to what we thought he might usefully address himself to and that included the management if you will, the organization of the health care operations in Central America.

Now, the reason that we asked him to take an interest in that is that Mr. Owen had visited the region in the past and in fact had accompanied a physician, Dr. Cheney, on a medical inspection trip there.

Mr. GEJDENSON. Did you originally reject or refuse to hire Mr. Owen yourself?

Ambassador DUEMLING. When Mr. Owen came forward originally to suggest that he could help us, my initial reaction was that I did not see a role for Mr. Owen's services. That was my initial response. I subsequently, when I received the formal request from the leadership of UNO, I reviewed the situation with them and specifically what role he might play. And it was after that review that I agreed to undertake to get his services.

Mr. GEJDENSON. Thank you.

Mr. BARNES. The gentleman from Arizona is recognized.

Mr. MCCAIN. Thank you, Mr. Chairman. Ambassador Duemling, you mentioned that you were not allowed to comment on the conclusions of the GAO report, is that accurate?

Ambassador DUEMLING. That is correct, sir.

Mr. McCain. Mr. Chairman, I think there is something very serious here because it is my recollection that the Chairman asked Mr. Conahan if the State Department was allowed to comment on those conclusions. Mr. Conahan said yes they were and obviously, Ambassador Duemling has a very different version. I think it is a rather serious situation here that a statement should be made by a man who is the author of a GAO report and to be directly contradicted by the person who was referred to. I hope we will be able to resolve that problem in time.

It was rather typical that Secretary Abrams was asked about the contra involvement in the drug traffic but I guess it is certainly probably due to lack of time my colleague did not want to ask about the Sandinista involvement in the drug traffic. And I know in fairness, I will take some of my time and ask that question to you, Mr. Abrams.

Secretary ABRAMS. There is an indictment in Federal Court right now involving Sandinista drug running. We actually have a photo of one of the top aids to Interior Minister Borge unloading cocaine or, I am sorry, supervising, he was not doing any heavy lifting himself, but supervising the unloading of cocaine from an airplane. Regarding Sandinista involvement, I guess the case is not completed yet, but I think it is fair to say that we could supply some further documentation for the record.

[The following was subsequently submitted:]

THE PRESIDENT'S REQUEST TO CONGRESS FOR AID TO  
THE NICARAGUAN DEMOCRATIC RESISTANCE

Sandinista Involvement in Drug Trafficking

There is credible evidence that high officials of the Sandinista government are involved in drug trafficking.

o Jose Alvaro Baldizon, former official of the Nicaraguan Ministry of Interior, described Sandinista involvement in the drug trade in testimony to the House Task Force on International Narcotics Control on March 11, 1986. He testified that:

-- the Sandinista Government offers protection to drug planes from Colombia which routinely land in Nicaraguan airfields in exchange for a percentage of the proceeds from the eventual sale of the drugs.

-- Interior Minister Tomas Borge's assistant, Captain Franco Montealegre, told him that the government was involved in cocaine trafficking to the United States to obtain hard currency, to weaken American youth, and to finance "liberation movements."

-- that known criminals, including drug offenders, have been incorporated into the ranks of the Sandinista police and have continued to engage in drug-related activity.

o In June 1983, a former First Secretary of the Nicaraguan Embassy in Canada was arrested with \$10,000 worth of cocaine in his possession. Another drug dealer, implicated by the First Secretary, said that the First Secretary was a small link in a drug-smuggling operation involving Borge.

o In June 1984, a Drug Enforcement Agency source participated in a Nicaraguan-based cocaine smuggling operation with Colombian drug traffickers Pablo Escobar and Jorge Ochoa, and Frederico Vaughn, an aide to Interior Minister Borge.

o During a DEA undercover operation, photographs were taken which show Nicaraguan government officials, including Borge aide Frederico Vaughn, loading boxes, described as being filled with cocaine, into a small aircraft parked on the military side of Managua airport.

o Antonio Farach, former Minister Counselor at the Nicaraguan Embassies in Honduras and Venezuela, testified before the Senate that Nicaraguan Minister of Defense Humberto Ortega reached an agreement with Raul Castro to discuss "a new business venture," calling for Managua to assist certain international drug traffickers with whom Cuba had contacts and allow them to use Nicaraguan airfields.



Mr. GEJDENSON. Would the gentleman yield for just 1 second?

Mr. MCCAIN. In fairness, indeed, sir.

Mr. GEJDENSON. Thank you. I would then suggest that we give no aid to the Sandinista government on that basis alone.

Mr. KOSTMAYER. Would the gentleman yield for a point of information?

Mr. MCCAIN. Yes, then I would suggest that in response to that that we probably should take more severe action against a nation which we have pretty confirmed information is involved in drug export.

Mr. KOSTMAYER. Would my friend from Arizona yield just for a question?

Mr. MCCAIN. Indeed, I know it is going to be a good one.

Mr. KOSTMAYER. I only want to know how they know it was cocaine that Borge was loading?

Mr. MCCAIN. There was some light stuff in Mr. Ortega's nose I think.

Mr. KOSTMAYER. If I can get an answer to my question, was it labeled cocaine or maybe it was just labeled coke and they thought it was cocaine.

Secretary ABRAMS. Well, I have to say I do not think it is particularly funny since we get an awful lot of cocaine in this country and Nicaraguan drug smuggling is not funny. But the answer is through intelligence sources which were able to identify that it was not for example heroin. It is clear that it was not marijuana.

Mr. KOSTMAYER. The box was open or what?

Secretary ABRAMS. Well, let me just say through intelligence sources we were able—

Mr. KOSTMAYER. I mean maybe it was like the Mig's that were in the crates that we were so concerned about.

Secretary ABRAMS. Well, we remain concerned about the possibility of bringing Mig's, they have built the infrastructure for Mig's already.

Mr. KOSTMAYER. Well anyway, what is the answer to the question?

Secretary ABRAMS. The answer was through intelligence sources, we were able to determine what the commodity was.

Mr. KOSTMAYER. In what way?

Secretary ABRAMS. Well, I do not want to reveal it.

Mr. KOSTMAYER. Of course not. Thank you very much.

Mr. DORNAN. Would the gentleman yield for a point of information? Mr. McCain, would you yield for just a point of information?

Mr. MCCAIN. Sure.

Mr. DORNAN. Mr. Secretary, is this not the incident you are discussing where it was a DC-3, a C-47 goonie bird and they filmed the whole drug passage scene from a hidden camera in the tail and the pilot on that mission was just executed in New Orleans by a Colombian hit team? Is not this the case you are discussing?

Secretary ABRAMS. You started out with a situation that is familiar to me. I was not aware of the killing of somebody involved in this.

Mr. MCCAIN. Mr. Secretary, there has been as mentioned was 31 Members of Congress that asked for an extension before the request for this aid. I also on the side might mention that I would

doubt whether it were 6 years or 60 years, none of those 31 would ever approve of military aid to the Contras, but that is my own guess on that issue. Is not it true in the last 4 months that the Sandinistas have insisted on a political settlement with the United States as a precursor to a Contadora agreement, twice requested suspension of the Contadora process, and voted against an OAS resolution to support the continuation of Contadora?

Secretary ABRAMS. That is correct.

Mr. McCAIN. Is not it also true that Mr. Duarte in addition to requesting that the Sandinistas negotiate with the freedom fighters or Contras depending on what you want to call them that his reasoning, and he would then negotiate with those who were fighting against his government. The reason for this is that he said that he could not get his problems settled within his nation until the problems were settled within Nicaragua. Was that not his statement?

Secretary ABRAMS. That is correct. And I know he has told a number of Members of Congress that directly. That, because of the FMLN base in Nicaragua, there has to be kind of a regional settlement or you are never going to have peace in Central America. The FMLN gets support from Nicaragua and that has to be addressed at the same time.

Mr. McCAIN. In regards to the question about whether \$100 million will suffice or \$70 million or 18 months or whatever it is, do you not think that is also directly related to the extent of Cuban and Soviet involvement in supplies rather than a result of what the United States unilaterally does?

Secretary ABRAMS. No doubt about it and I think we just have to recognize that—well, I would put the question another way I guess and that is, if the Soviets are willing to take longer than 18 months to put Communist governments in Central America, does that mean that they win?

#### CUBAN INVOLVEMENT IN NICARAGUA

Mr. McCAIN. Could you elaborate a little bit? We have already talked about Cubans flying the MI-24 HIND helicopter in Nicaragua, something which I think had it become known some years ago would have been a source of outrage across this Nation. What else do the Cubans do in Nicaragua?

Secretary ABRAMS. The Cubans are crucially important in the secret police. They essentially run the secret police and we have lots of accounts from defectors, for example, and from people still in Nicaragua that they were personally questioned or beaten or tortured by or in the presence of Cubans. We also have reports of Cuban military personnel with the units in the field urging the Sandinista conscriptees to bayonet wounded prisoners to death, in other cases to bayonet the bodies of dead prisoners in order to teach them that this is the kind of attitude you have to have toward the enemy.

The attitude of the Sandinista conscripts was discussed and the Cubans are pretty unpopular in Nicaragua. But, they essentially run the secret police operation, they have people with every sizable unit including every counter insurgency unit and they are actually the backbone of the security system and of the Sandinista military.

Mr. McCAIN. Thank you. Thank you, Mr. Chairman. I would just like to point out that it is a bit interesting that we are ready to vote on this very crucial issue today when last year we had no legislation of this sort up before the committee and we had five hearings that covered 3 days. I believe that there is a large number of witnesses that it would be very appropriate for this committee to hear from before we take a vote on this very crucial issue which many of us will determine the future of Central America.

And I deeply regret as a member of the minority that we have not been afforded more witnesses on both sides of this issue so that we could make a better determination and judgment on the issue. Thank you, Mr. Chairman.

Mr. BARNES. Well, let me say, I agree with the gentleman. The Chair had scheduled four hearings on this subject beginning today. This was to have been the first of four hearings and we had many witnesses, several panels of witnesses at each hearing. We were told by the chairman of the full committee that the full committee will mark up tomorrow and that we had to be finished by today. So, we are doing the best we can under these circumstances. But, I certainly agree with the gentleman, it would be helpful to all of us to have an opportunity to hear from more witnesses.

The gentleman from Pennsylvania is recognized.

Mr. KOSTMAYER. Thank you, Mr. Chairman. Mr. Secretary, our colleague Mr. Lagomarsino asked you why the Nicaraguans are anxious to resume bilateral talks with the United States and you said at least in part that they are trying not to deal with their neighbors. Is that your view?

Secretary ABRAMS. Yes.

#### COSTA RICA-NICARAGUAN BORDER COMMISSION

Mr. KOSTMAYER. Why then are the Nicaraguans in the midst of a negotiation with the Costa Ricans to resolve some of their border disputes?

Secretary ABRAMS. Well, what the Sandinistas are trying to do is to avoid a regional solution. For example, if they can make a deal with one country at a time then they might leave out El Salvador and be able to continue supporting the FMLN.

Mr. KOSTMAYER. Well does it not make sense to make a deal with one country, how else would you make a deal with but one country at a time?

Secretary ABRAMS. I am sorry, I should have said they are trying to avoid dealing with their neighbors collectively. What they are trying to do is to avoid a regional solution and what we are in favor of is a regional solution.

Mr. KOSTMAYER. Why do I have the feeling that if they did deal with their neighbors collectively, you would tell me that they were trying to avoid dealing with them individually?

Secretary ABRAMS. Because you do not trust the administration.

Mr. KOSTMAYER. Well, you are certainly right about that, that is one thing we agree on strongly. So, let me see if I get this right. Now, the foreign ministers of these eight countries are coming here to tell us what they really do not believe.

Secretary ABRAMS. That is not what I said, Mr. Kostmayer.

Mr. KOSTMAYER. Oh, I see, all right. Well, the Nicaraguans are now negotiating with the Costa Ricans to resolve their border disputes because they do not want to work with their neighbors. This is a new version of double speak.

Secretary ABRAMS. I do not think it is a new version of double speak at all. I think what I just said was that the Sandinistas are seeking to avoid a regional solution. They are seeking to avoid any means of verification. What they are seeking to do is put themselves in a position where they can first crush their internal and external opposition and then they will turn to their neighbors. They have already started but they will be able to pour a little more fuel onto it.

Mr. KOSTMAYER. They are trying to crush their Costa Rican neighbors by negotiating a resolution of the borders?

Secretary ABRAMS. If you genuinely believe that the Sandinista government does not have in mind the destabilization of Costa Rica some place down the road, I would disagree with you and point out that there are over 500 Costa Ricans now being trained in Nicaragua in guerrilla combat by the Sandinistas, and where are those people going to go next.

#### THE CONTADORA PEACE TREATY

Mr. KOSTMAYER. Let me ask you, let me take you back to the 1984 Contadora draft which the Sandinistas agreed to sign.

Secretary ABRAMS. Sure, because they had no verification in it. The 1985 draft which has a little bit of verification, they will not go near.

Mr. KOSTMAYER. So, we are willing to sign the 1985 draft then?

Secretary ABRAMS. We do not sign anything because we are not part of Contadora.

Mr. KOSTMAYER. Our allies, of course.

Secretary ABRAMS. But the Central Americans have said the 1985 draft is much better because it has a beginning of the solution to the verification problem in it. It is not surprising the Sandinistas would jump on the version without verification.

Mr. KOSTMAYER. I want to yield to my friend from New York.

Mr. WEISS. Will the gentleman yield just on that one point? On April 11 or 12 of 1985, there was a Contadora draft that was prepared by the Canadian Government at the request of the Contadora countries and the Nicaraguans agreed to accept it totally. At that point, the other Central American countries at the opening of the United States decided to reject that for fine tuning, is not that correct?

Secretary ABRAMS. That is not my memory. I would have to say that my memory is that the September 1984 draft was rejected by the Central Americans. The September 1985 draft was thought by them to have much more verification.

Mr. WEISS. I am asking about April 11 or 12 of 1985?

Secretary ABRAMS. I just have to say that I do not remember.

Mr. WEISS. Well, I wish you would recheck your memory on it.

Mr. KOSTMAYER. Are the negotiations between the Costa Ricans and Nicaraguans a positive development or just a Sandinista ruse?

Secretary ABRAMS. I think it is a positive development if, as I understand the Costa Rican position to be from what they have said, it is supposed to be part of a broader regional settlement. Then it would be very positive, yes.

Mr. KOSTMAYER. Could that not be the next step. Could not they then negotiate with the Salvadorans or the Hondurans?

Secretary ABRAMS. Well, if they wanted to negotiate with El Salvador, they might start by stopping the subversion and they might start by accepting President Duarte's offer. It seems to me odd to think that they are dealing in good faith since they are in the midst of subverting all of these neighbors.

Mr. KOSTMAYER. We are dealing before with I guess eight or nine Latin American nations whose leaders or whose ministers at one time or another who have expressed publicly opposition to our policy of military intervention in Central America. All eight or nine do not feel that way, only half. How many are really telling the truth?

Secretary ABRAMS. It is not a matter of truth, it is a matter of willingness. You know when you talk to them and perhaps you have done this.

Mr. KOSTMAYER. I have.

Secretary ABRAMS. They are just absolutely amazed at our system of government and that the things that we insist on taking through the press, which is not their practice. Virtually all of these governments, in fact, I would say all of them, conduct some covert operations of their own which they do not like to see discussed in the press, and they wonder how we are able to keep secrecy in our own government. But I cannot give you—I would have to sit down or remember the conversations with chiefs of state and foreign ministers and ministers of the interior. But I am suggesting, and I think that many of you know this from trips to Central America, that you hear something slightly different privately from what you do publicly. And I do not think that is a big surprise.

Mr. KOSTMAYER. Well, is it slightly different or are they really telling us one thing publicly and another thing all together privately because publicly they have told us including yourself, that they are opposed to the funding of this military operation.

Secretary ABRAMS. It varies from country to country. And there are some of them who privately say, if you would only back away from this, then we will be able to handle the Sandinistas.

Mr. KOSTMAYER. Right.

Secretary ABRAMS. And, my comment on that to them and to you is to say that with the Soviet and Cuban involvement in Nicaragua what it is today, I have asked them how will you handle the Sandinistas. They give you an answer about moral pressure that just is not very convincing when you see the nature of that Sandinista regime. So there we just have a plain old disagreement and we figured that the policy should be made in Washington.

Mr. KOSTMAYER. Thank you very much. Thank you, Mr. Chairman.

Mr. BARNES. The gentleman from Indiana is recognized.

## NICARAGUAN TRAFFICKING IN DRUGS

Mr. BURTON. I would just like to start off, Mr. Chairman by saying that anybody that does not believe that the Nicaraguans are dealing in drugs and sending them to the United States has their head in the sand. They have been traced at least in part to Cuba and there are seven Cubans including their foreign minister that is under indictment right now in Miami. And as you know that one of the biggest allies of the Nicaraguan Sandinistas is the Cubans and they are working in concert in drug trafficking as well as trying to subvert those countries in Central America.

I think the thing that needs more elaboration, Mr. Abrams is to what extent the Soviet Union and Nicaragua are trying to subvert those Central American nations. Could you tell us how many tons of war materials the Soviet Union sent into Nicaragua last year approximately?

Secretary ABRAMS. Let me see if I have got that.

Mr. BURTON. And can you elaborate a little bit, tell us how many HIND helicopters and how many other pieces of equipment that are murdering people in the countryside are being utilized.

Secretary ABRAMS. The Soviet Union is now giving about \$500 million a year to Nicaragua and the bulk of that is probably, in dollar terms, oil because the other suppliers, for example Mexico, have stopped supplying oil. Even Venezuela was supplying right after 1979. And the dollar figure is roughly, \$500 million.

Mr. BURTON. Well, can you tell us about the war materials, I think that would make the case better.

Secretary ABRAMS. I do not have the tonnage figure right here with me. The largest single figure was for 1984 because a lot of big ticket items, such as helicopters, arrived in 1984 as did a substantial number of the vehicles, tanks, and armored personnel carriers. So that was the big ticket items. Now, we are back to the more normal level for 1985 of ammunition, fuel, spare parts, that kind of thing.

Mr. BURTON. The figure that I heard was something like 18,000 tons of war materials, does that ring a bell with you?

Secretary ABRAMS. Yes, I am sorry that I do not have the figures right here with me.

Mr. BURTON. Well, the figures I have was that the Soviet Union sent 68,000 tons of war materials into Cuba last year and approximately 18,000 tons of war materials into Nicaragua. And so I am sorry you do not have those figures. Can you tell me a little bit about the disinformation campaign that is taking place by the Communist Sandinista government to try to influence the people of the United States?

Secretary ABRAMS. Well, we have seen a substantial campaign for some time. I think the best example of it was given by Mr. Baldizon, who is a defector who used to work for Tomas Borge, Minister of the Interior. Baldizon's job was to deceive Americans, in large part, human rights groups in particular. And he has told us about the absolutely extraordinary manner in which this was done. Just as an example, Sandinistas who are said to be convicted of human rights violations and, assuming the international press or the European press goes away, they are let out of jail. When a par-

liamentary delegation—he had one in mind, a particular guy in whom there was interest in Holland—when a parliamentary delegation from Holland comes, they put the guy back in jail for a day so he can be visited in jail. He told of examples where a group from the United States is taken to a particular location and are let to roam free so they can talk to Nicaraguans. So the state security police takes 50 or 60 agents and sends them to that spot with a shoeshine stand or an ice cream stand to be typical Nicaraguans and to say to them, gee, this place is just ginger peachy.

This was a story that he told about the ways in which his job was to help cover up human rights violations and deceive American human rights groups.

Mr. BURTON. Have you heard of the law firm of Reichler & Applebaum?

Secretary ABRAMS. I have heard of it.

Mr. BURTON. Are you familiar with the human rights study that was done by Reichler & Applebaum, who received \$350,000 from the Communist Sandinista government last year in retainers?

Secretary ABRAMS. I am familiar with it.

Mr. BURTON. And it was paid for by the Communist Sandinista government, that human rights study that they did?

Secretary ABRAMS. The study, as I recall, was sort of put together by the Sandinistas' attorneys and they found a guy to do the study who received an enormous amount of help from the Sandinistas. I think it is fair to say that he was essentially under their influence the entire time.

Mr. BURTON. And who published that report, do you know?

Secretary ABRAMS. I think the law firm, the Sandinistas law firm themselves put it out.

Mr. BURTON. Was not that published by the Washington Office on Latin American Affairs?

Secretary ABRAMS. I do not recall.

Mr. BURTON. Well, there was substantial evidence that that was the case and it was published and put on national television as fact when it was a Communist disinformation campaign that was paid for by the Communist Sandinista government and ran through the law firm of Reichler & Applebaum.

Secretary ABRAMS. I would just note on this question of human rights that there was some interesting testimony from Mr. Leiken yesterday in the Senate Foreign Relations Committee. He is, as you know, a Fellow at the Carnegie Endowment who is just back from Nicaragua. He was just sort of an observer on a trip of the International League for Human Rights. And as I say, I was actually quite surprised at the degree of human rights violations, which is in some ways worse than we have been stating on the basis of Embassy information.

The information they have about torture and executions and secret prisons is really quite frightening.

Mr. BURTON. I have one more question and that is, are you concerned about the long range problems that the United States and our friends in Central America will face because of what they are teaching the kids down there in Nicaragua? Have you seen this text book, this first grade text book teaching kids to add, subtract,

multiply and divide using war materials and talking about killing imperialists?

Secretary ABRAMS. I have seen that and it is a problem. It is a problem for example in Grenada today, students who have been trained in Cuba.

Mr. BURTON. In your opinion, do you think that bodes ill for us down the road if we do not deal with this problem post-haste?

Secretary ABRAMS. I think the longer we wait, the more difficult the problem gets and some President is going to have to confront it.

Mr. BURTON. Thank you.

Mr. BARNES. The Chair recognizes the gentleman from New York, Mr. Weiss.

Mr. WEISS. Thank you very much, Mr. Chairman. Just so we clear up one point about the so-called disinformation campaign conducted or purchased by Communist governments. Mr. Secretary, you are aware of the fact that the Marxist-Leninist government of Angola have hired Gray & Co. to represent it and to reach out to the American people through them, is not that correct?

Secretary ABRAMS. That is what I read in the papers.

Mr. WEISS. Right. You also know that the Drug Enforcement Administration, its most recent report lists the countries which are a factor in drug trafficking into this country and Nicaragua is not even listed as a significant source of drugs into the United States. Colombia is listed as being responsible for 50 percent of the cocaine that comes into the United States, is not that correct?

Secretary ABRAMS. Yes, the difference is that the Colombian Government under President Betancur who, as you know, is very much opposed to that and the justice minister was murdered because of that. That is not the attitude, unfortunately, of the government of Nicaragua.

#### DISINFORMATION CAMPAIGN

Mr. WEISS. Lets talk a little more about the disinformation campaign. This morning in the New York Times James Reston has a column which is headlined, "The Lie Detector in Washington." I am going to read just a few sentences from it. It says,

We need some lie detectors around here. The most prominent advertising agency in Washington these days is the firm of Reagan, Weinberger, Schultz, and Speakes situated at 1600 Pennsylvania Avenue. These guys with the aid of Pat Buchanan inside and Mike Deaver outside think they can sell refrigerators to the Eskimos but sometimes they go too far.

And then further down to the end of the column he says,

But Congress has its doubts and so does the press. They have been told so many lies about the Nicaraguan problem by the administration that they are no longer willing to be overwhelmed by this latest propaganda campaign out of the White House.

Now, do you consider that Mr. Reston is engaging as part of the disinformation campaign by the Sandinistas.

Secretary ABRAMS. I consider that Mr. Reston has probably not—I guess it was impossible to do so if you wrote the column the day before yesterday—familiarized himself with testimony such as that of Mr. Leiken. Mr. Reston seems to be unaware of the facts about



Nicaraguan repression or subversion. He is not entitled, as you are entitled, to get the kind of intelligence briefings that are available to Members.

Mr. WEISS. So he writes the columns for the New York Times based on insufficient information. OK.

Secretary ABRAMS. You know, I read that column and he did not cite one thing that he would call a lie and I would like to have the citation. People throw the word liar around pretty loosely and I would like to know the lies.

Mr. WEISS. OK.

Secretary ABRAMS. I think we have underestimated Nicaraguan human rights abuse on the basis of this report from the guy at Carnegie.

Mr. WEISS. OK, so that Mr. Reston's characterization of the lies and the lie detector that is needed in your opinion is wrong.

And let me go finally to the section of the statute which was cited by the chairman in his first question to you. And I am going to read that again.

The President should establish appropriate procedures to ensure that any humanitarian assistance provided by the United States Government to Nicaraguan democratic resistance is used only for the intended purpose and is not diverted through barter, exchange or any other means for acquisition of weapons, weapon systems, ammunition or other equipment or vehicles and material which can be used to inflict serious bodily harm or death.

And I understand your response to be that provision of the law passed by both Houses of Congress signed and all by the President of the United States is not being enforced because it is not enforceable.

Secretary ABRAMS. That is not what I said. I said it was being met. If I remember correctly, the chairman asked me that question directly and I said appropriate procedures were in place. You can read the record back but that is not what I said.

Mr. WEISS. You have appropriate procedures in place at this point and you can in fact track for us the dollar by dollar distribution of the purchases?

Secretary ABRAMS. That legislation did not say—and you are perfectly capable of writing legislation that does, and you did not—that we must be able to track every single dollar. We have our procedures which, taking into account the situation of Central America, and taking into account the resources available through, for example, the intelligence community, give us a high degree of confidence that everything that is being sent in is going in. You wrote the word “appropriate procedures” not the administration.

Mr. WEISS. Oh, so that you can interpret appropriate procedures to satisfy your interpretation, not what the intent of Congress was, is that correct?

Secretary ABRAMS. Well, I think we are satisfying the intent of Congress and you will notice that the GAO complimented Ambassador Duemling's office and did not cite a single case where they thought that something had gone wrong, including fine points.

Mr. WEISS. They said and if I can pick up on that you know because your statement now is going to be the statement instead of the GAO's statement. They said, “We found nothing however to indicate that Nicaraguan Humanitarian Assistance Office paid for

lethal items." And in response to my question as to whether in fact they could state that there was no purchase of lethal items, they said they could not say that either.

Secretary ABRAMS. Sure, but that is because they are not in a position to do so. But GAO personnel are not the only people auditing this, you know. The State Department's Inspector General has taken a look at it and we are dealing with the Intelligence Committee on this, too. Now, I know the GAO is very annoyed because they cannot get into anything that is held to be covert.

Mr. WEISS. You just cited the GAO as supporting your position.

Secretary ABRAMS. They did not find a single thing which they said had been misspent or misplaced.

Mr. WEISS. They have no information. They said they could not cite it either way, is not that correct?

Secretary ABRAMS. From any of the information that they had and I realize that they are annoyed at the fact that they cannot go further into it but that is the purpose of having an Intelligence Committee and having an Inspector General and a State Department.

#### BEYOND VOUCHERS AND RECEIPTS

Mr. WEISS. Now, as a matter of fact, have you gone, you personally, have you gone into the information beyond the vouchers and the receipts to know that in fact those vouchers and receipts that the GAO looked at as saying there were certain amounts of certain items purchased in the region?

Secretary ABRAMS. Yes, sir, we get intelligence reporting on that.

Mr. WEISS. You personally?

Secretary ABRAMS. I personally and dozens and other people in the State Department.

Mr. WEISS. No, no, I am asking about you. You are now telling us that in fact you can testify that everyone of those receipts which says there was a purchase of a particular nonlethal item was spent for that specific purpose?

Secretary ABRAMS. No, I did not say that. I can testify that we have—

Mr. WEISS. You cannot testify to that?

Secretary ABRAMS [continuing]. That we have regular reporting on deliveries made in theater and that no one has ever complained about the failure to pay or the failure to deliver.

Mr. WEISS. Failure to pay or deliver but how about whether in fact the items that are being purchased are that which is set forth?

Secretary ABRAMS. We get reporting on that that says that such and such an amount was delivered at such and such a place yesterday. That is the kind of reporting we are getting from the intelligence community. And GAO cannot have access to it.

Mr. BARNES. The subcommittee will stand in recess for 10 minutes while we make this vote. I urge all members to return immediately. We are going to move to mark up.

[Whereupon, a brief recess was taken.]

Mr. BARNES. Subcommittee will come to order. The Chair recognizes the distinguished gentleman from Illinois.

Mr. HYDE. I thank the chairman. Mr. Abrams, as I look at the situation in Nicaragua, the Sandinista Communists have shut down the radio station of the Catholic Church because they refused to broadcast (and they say inadvertently) one of Comrade Ortega's speeches, they have confiscated their newspaper, they have confiscated the church's printing press. Despite the painful situation of the Contras in the sense that they are getting damned little humanitarian aid and no military aid from this country, the Sandinista Communists have imposed martial law, a very stringent sort and the church, the cardinal certainly and other priests cannot hold an outside mass anymore.

With all of this repression, is not the virtual silence of the church in this country surprising to you?

Secretary ABRAMS. It is. I do not understand it.

#### NEGOTIATIONS

Mr. HYDE. I do not either. We do not have a passive church at least anymore. We have an activist church that interests itself in many, many issues but I would think some fraternal concern would almost involuntarily spring forward to condemn the oppression of the church in Nicaragua. Well, it is just a kind of a fascinating sociological observation. Now, one of the big copouts for those people who will not vote for any aid to the democratic resistance is that we have not negotiated enough. It is interesting, there are no requests for the Mujahideen to negotiate over in Afghanistan or for Son Sanh to sit down with Hanoi and try to work something out.

But we insist on negotiating until we are blue, purple, and chartreuse in the face with these Communists under the illusion that if you ask enough or you ask nicely enough, they will yield some power. Now, does that notion strike you as naive?

Secretary ABRAMS. I think it is naive because there is no precedent for a Communist government giving away these crucial tenets of the Communist faith without some form of pressure.

Mr. HYDE. Now, is not the hangup with the Sandinista Communist and negotiation that they refuse to negotiate with their democratic resistance. They will not talk to them, they will not legitimate them, they will not recognize that they exist and they want to talk to us bypassing their own people and the democratic resistance. And nothing we say or do will change that equation. Is not that a fact?

Secretary ABRAMS. It is a fact so far. Where I might disagree with you, there is one thing we could do that might change that fact and that is to pass the President's program and allow the democratic resistance to have the strength to force the Sandinistas to begin to take them more seriously.

Mr. HYDE. Oh well of course, but that won't happen I tragically predict, this is act I of a tragedy that is going to play itself out in Central America and will ultimately be resolved at enormous cost in blood and money. That is my sad prediction. I hope I am terribly wrong.

But assuming that the gentleman on the majority party do what I think they are going to do which is isolate this country as leader of the free world from what is going on and the isthmus that con-

nects us with South America, we are going to see a consolidation of the revolution and then more exporting of revolution. Now, there are intelligence reports to everybody on this committee if they really care, really care about how the M-19 in Colombia was using Nicaraguan weapons, about how money and training is going into Honduran Communists and Costa Rican Communists and pretty soon that whole area is going to be destabilized, more than it is.

Oh, by the way, we hear about Somocistas, do you have a head count on how many Marcosistas there are, people who worked with President Marcos and are now rallying around Cory Aquino? I know General Ramos is one of the head Marcosistas but somehow there is no taint that carries over for that. And yet, if you had ever served in Somoza's National Guard you are a leper forever. Do you understand that double standard?

Secretary ABRAMS. I think it is a double standard. As a matter of fact, no one has paid much attention to the fact that the Sandinistas have working for them a pretty good number of former Somocistas.

Mr. HYDE. Well but there are good Somocistas and bad Somocistas and if you go farther to the left, you are a good Somocista and if you go to the right, you are a bad Somocista. Now, one last question, can you tell me what the attraction is in Nicaragua a little country of less than 3 million people in a tropical area. What is the attraction for Bulgarians, East Germans, Libyans, PLO, North Koreans and Soviets? Is it the beaches or the water or what is it that attracts them down there?

Secretary ABRAMS. All of the above.

Mr. HYDE. Pardon?

Secretary ABRAMS. All of the above.

Mr. HYDE. All of the above, the beaches and the water is that it? Good, well that is terrific then. I know there was an article on tourism down there but it was censored from La Prensa. It would have been fun reading though, Ambassador Duemling. And last, do not be upset, some of these fellows think Castro's a pretty good guy. So you know, do not expect too much from this committee. Thank you.

Mr. BARNES. The Chair recognizes the gentleman from California Mr. Dymally.

#### ASSISTANCE TO PASTORA

Mr. DYMALLY. Thank you very much, Mr. Chairman. Mr. Ambassador, in your distribution of humanitarian aid, do you render any assistance to Comandante Pastora and his group?

Ambassador DUEMLING. That is a slightly difficult question to answer, Congressman.

Mr. DYMALLY. Why?

Ambassador DUEMLING. Because the identity of Mr. Pastora's group is a little bit fuzzy.

Mr. DYMALLY. The Secretary sitting next to you had praise for him in December before this committee.

Ambassador DUEMLING. May I continue?

Mr. DYMALLY. Yes.

Ambassador DUEMLING. This is a somewhat shifting situation. I can say that my office does render assistance to people who have been associated with Mr. Pastora.

Mr. DYMALLY. No, no, the question was, do you render any assistance to Mr. Pastora's group in your humanitarian aid program?

Ambassador DUEMLING. I am not at the present time directly assisting Mr. Pastora himself.

Mr. DYMALLY. Why are not you assisting him?

Ambassador DUEMLING. The assistance that flows from the office that I administer has gone primarily, almost entirely, to the United Nicaraguan Opposition. That is an umbrella organization that has brought together several elements of the democratic resistance.

Mr. DYMALLY. Is Mr. Pastora part of that opposition?

Ambassador DUEMLING. He personally is not at the present time.

Mr. DYMALLY. I mean is his group part of the opposition?

Ambassador DUEMLING. People who have been associated with Mr. Pastora in the past—

Mr. DYMALLY. No, no, not the people who have been. Is his group associated with the coalition?

Secretary ABRAMS. Part of his group is.

Mr. DYMALLY. Because you so stated, Mr. Secretary in December before the subcommittee.

Secretary ABRAMS. I so stated what?

Mr. DYMALLY. That he was part of the opposition and had praise for his group.

Secretary ABRAMS. Well, I still have praise for his group and his group, I think tends to be a little bit more active than Mr. Pastora himself.

Mr. DYMALLY. Is this because he is opposed to CIA tainted aid that you have excluded him from the package?

Secretary ABRAMS. Well, drug running has something to do with it.

Mr. DYMALLY. Well, tell us about it.

Secretary ABRAMS. Well, it concerns Mr. Pastora's group and again there is a problem with terminology—who is in it and who is not in it. The only serious accusations that have ever been made about drug running by people involved in the Nicaraguan resistance forces relate to Mr. Pastora's group. It is also the case that Mr. Pastora's group has a serious problem with its own internal security.

Mr. DYMALLY. OK, so as a result of what you perceive or the evidence that you have at hand that Mr. Pastora's group is in drug running, you have withheld humanitarian aid from his group?

Secretary ABRAMS. We know that if we gave money to a group which was involved in any way or was accused in a serious way in narcotics trafficking, it would blow this program sky high. And so we have not wanted to run that risk.

Mr. DYMALLY. So, you are saying that Mr. Pastora's group is involved in drug trafficking?

Secretary ABRAMS. Some members of it have been and that is why this question of who is in it and who is not and who do you give aid to is a difficult question.

Mr. DYMALLY. So, some members of the opposition rape children and beat up women and kill innocent people, does that make the whole group ineligible for the aid on the other hand?

Secretary ABRAMS. What it means is that we have a human rights program to try to make sure that those people are punished.

Mr. DYMALLY. But you praised Mr. Pastora's group on December 5 for complying with human rights. Mr. Secretary. Do you plan to give Pastora any aid if you get this money?

Secretary ABRAMS. It is not a question that can be addressed to Ambassador Duemling. It is not his decision to make.

Mr. DYMALLY. All right, OK. You answer then. Does the administration plan to give aid to Mr. Pastora if you get this money?

Secretary ABRAMS. I hope to be able to give aid to and through Mr. Pastora.

Mr. DYMALLY. Even though he is running dope.

Secretary ABRAMS. If it can be clarified that he has cleaned up his organization.

Mr. DYMALLY. Well, why do not you clarify now?

Secretary ABRAMS. We have been trying to clarify it and he has not been cooperating a lot.

Mr. DYMALLY. So he is uncooperative. Is it because he is critical of the Somocista cards and critical of the CIA that you have withheld aid from him?

Secretary ABRAMS. You have to ask Mr. Pastora but that is not the reason we have withheld aid from him. I have expressed the reasons we have withheld aid from him.

Mr. DYMALLY. All right, now finally, Mr. Secretary, I note with some concern that you took credit for the exodus of the Duvaliers before this committee in closed testimony. You had very little information to provide this committee. In fact, you and I got into it because your Embassy had so much misinformation and so little accurate information. In fact, Congressman Fauntroy's office was supplying the committee with more accurate information and you know it was Jamaica that forced Duvalier out, not the United States.

I find it intellectually dishonest.

Secretary ABRAMS. Would you like to explain how Jamaica forced Mr. Duvalier out, force of arms?

Mr. DYMALLY. Force of arms, no, no. The Jamaicans went there and talked Duvalier into leaving. It was not realized because the day before, the day that it was happening you were before this committee unable to give us any accurate information about what was going on in Haiti and you and I got into it and you know that.

Secretary ABRAMS. I do not know that at all and I would also suggest that there is a difference between a closed hearing and an open hearing. We are in an open hearing now. If you have talked to Ambassador McManaway, you know the degree of his understanding of the situation in Haiti then, and now to say that he had no information is false.

Mr. DYMALLY. He had but he gave you false information to give the White House false information about Duvalier and you admitted yourself you had little to offer us.

Secretary ABRAMS. I think that is absolutely false.

Mr. DYMALLY. You had little to offer us and I scolded you about the lack of information.

Secretary ABRAMS. That is absolutely incorrect.

Mr. DYMALLY. And it was Jamaica that went there and asked Duvalier to leave, not the U.S. Ambassador. You provided the plane, thanks to you for doing that but you did not force Duvalier—

Secretary ABRAMS. That is flatly incorrect.

Mr. DYMALLY. You know that is the truth.

Secretary ABRAMS. And I will not hesitate to restate once again that I am very happy with the degree of information that I gave this committee in an open or closed hearing. As you now know, there were extremely sensitive discussions going on then and if you think that I was going to reveal it to a room full of people and run the risk of blowing that possibility of avoiding bloodshed in Haiti, I do not admit it for a minute.

Mr. DYMALLY. You were withholding information in a closed hearing?

Secretary ABRAMS. I said to you at that hearing that there were some things that I did not want to get into in detail and I am glad that I did that because—

Mr. DYMALLY. Because of lack of information, that is why.

Secretary ABRAMS. Because the situation turned out rather well, pardon me, because we were able to maintain a little bit of security about what was going on.

Mr. DYMALLY. Well, let the record show that Jamaica is the one that got value of it and the State Department did not.

Secretary ABRAMS. Let me just say that I think the role of Jamaica and of Prime Minister Seaga and of his special emissary Neville Gallimore cannot be praised too highly. But if anybody thinks that it was exclusively the role of Jamaica that did it, I think that is a misreading of the situation.

Mr. BARNES. The time of the gentleman from California has expired. At this time the committee will move to consider two matters that are before the subcommittee. First, at the request of the chairman of the full committee Mr. Fascell would ask that we would consider House Resolution 389.

Secretary ABRAMS. Mr. Chairman, are we free to go?

Mr. BARNES. Oh, I am sorry.

Secretary ABRAMS. Political prisoners.

Mr. BARNES. I apologize to you. We thank you very much for your presence this afternoon. Thank you again very much for your testimony.

Secretary ABRAMS. You're welcome.

Mr. McCAIN. Well done, Mr. Secretary.

#### CONGRATULATING THE INTER-AMERICAN FOUNDATION

Mr. BARNES. The chairman of the full committee, Mr. Fascell, has asked that we take up something that was not on the agenda for this afternoon, House Resolution 389, congratulating the Inter-America Foundation on its 15th anniversary and commending it for its outstanding contributions to U.S. development assistance efforts in Latin America and the Caribbean. It is a resolution that the

chairman is introducing along with Mr. Broomfield, Mr. Lagomarsino, and myself. I believe it is self-explanatory and I believe it is noncontroversial. I would ask unanimous consent that we exceed to Chairman Fascell's request to take this up this afternoon.

[The text of the resolution follows:]



99TH CONGRESS  
2D SESSION

## H. RES. 389

Congratulating the Inter-American Foundation on its fifteenth anniversary and commending it for its outstanding contributions to United States development assistance efforts in Latin America and the Caribbean.

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### IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1986

Mr. FASCELL (for himself, Mr. BROOMFIELD, Mr. BARNES, Mr. LAGOMARSINO, and Mr. GARCIA) submitted the following resolution; which was referred to the Committee on Foreign Affairs

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## RESOLUTION

Congratulating the Inter-American Foundation on its fifteenth anniversary and commending it for its outstanding contributions to United States development assistance efforts in Latin America and the Caribbean.

Whereas the Inter-American Foundation was established by the Congress in 1971 to foster a new direction and a new emphasis for United States development assistance efforts in Latin America;

Whereas the Inter-American Foundation has fulfilled in exemplary fashion its mandate from Congress to strengthen the bonds of friendship and understanding among the peoples of the hemisphere, to support self-help efforts designed to enlarge the opportunities for individual development, to stimulate and assist effective and ever wider participation of the

people in the development process, and to encourage the establishment and growth of democratic institutions, private and governmental, appropriate to the requirements of the individual sovereign nations of this hemisphere;

Whereas the Inter-American Foundation has carried out its program in Latin America and the Caribbean since 1971 by making more than 2,100 grants worth more than \$215,000,000 and doing so in a cost-effective manner;

Whereas the Inter-American Foundation has made small grants, averaging about \$80,000, in rapid response to worthy proposals so that an appropriate level of assistance can reach those in need when it is most needed;

Whereas the Inter-American Foundation has operated through private rather than governmental channels on a "people to people" level;

Whereas the Inter-American Foundation strives to be responsive to the aspirations of poor people by supporting their own efforts to help themselves, their families, and their communities working through locally based and supported institutions;

Whereas the Inter-American Foundation has used its resources on a continuing, long term non-political basis to support ecologically and culturally sound self-help undertakings in agriculture and rural development, urban enterprises, community services, education and training, cultural expression, and research and learning about grassroots development in Latin America and the Caribbean;

Whereas the Inter-American Foundation has fostered immeasurable goodwill for the United States by reaching out to thousands of Latin American and Caribbean peoples who have

never before had any contact with the United States Government;

Whereas the Inter-American Foundation provides development assistance in countries of Latin America and the Caribbean which are not otherwise recipients of United States development assistance; and

Whereas the Inter-American Foundation has provided valuable insights about grassroots development to development assistance agencies such as the Agency for International Development, the Inter-American Development Bank, and the World Bank, and was the model for the creation of the African Development Foundation: Now, therefore, be it

- 1       *Resolved*, That the House of Representatives congratu-
- 2       lates the Inter-American Foundation on its fifteenth anniver-
- 3       sary and commends it for its outstanding contributions to
- 4       United States development assistance efforts in Latin Amer-
- 5       ica and the Caribbean.

Mr. BARNES. Are there any objections? Hearing none, is there a motion to report this favorably to the full committee?

Mr. GEJDENSON. So moved.

Mr. BARNES. The gentleman from Connecticut so moves. The vote will occur on the motion of the gentleman from Connecticut to report House Resolution 389 favorably to the full committee. All those in favor will vote "aye."

ALL. Aye.

Mr. BARNES. All those opposed will vote "no." The aye's have it and the subcommittee reports House Resolution 389.

#### ASSISTANCE TO THE NICARAGUAN DEMOCRATIC RESISTANCE

We will now consider House Joint Resolution 540, a joint resolution relating to Central American pursuant to the International Security and Development Cooperation Act of 1985. The staff director will read the Joint Resolution.

Mr. JOHNSON. House Joint Resolution 540, joint resolution relating to Central America pursuant to the International Security and Development Cooperation Act of 1985. Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, that the Congress hereby approves the additional authority and assistance for the Nicaraguan democratic resistance that the President requested pursuant to the International Security and Development Cooperation Act of 1985, notwithstanding section 10 of Public Law 91-672.

Mr. STUDDS. Mr. Chairman.

Mr. BARNES. The gentleman from Massachusetts.

Mr. STUDDS. Mr. Chairman, I move that House Joint Resolution 540 be reported unfavorably to the House.

Mr. BARNES. The gentleman from Massachusetts moves that the resolution, House Joint Resolution 540, be ordered unfavorably. Is there any discussion on the gentleman's motion.

Mr. LAGOMARSINO. Yes, Mr. Chairman.

Mr. BARNES. The gentleman from California. The gentleman is recognized for 5 minutes.

Mr. LAGOMARSINO. The action the subcommittee is going to take today is a foregone conclusion looking to the democratic side. And, I would say that apparently President Ortega of Nicaragua thinks so too because unlike last time when there was a vote defeated on the floor and he went to Moscow the next day, he has already gone to Havana. He has already gone to Havana and his fellow commandante, Bayardo Arce, has gone to Moscow. So, I deeply regret that a matter of such great national security importance has become such a partisan political issue.

When you see voting on a subcommittee that is strictly a party line vote as this one will be, I think it calls into question whether the policy is being considered on its merits or simply for partisan political purposes. Ever since the Reagan administration took office, its critics have complained that there has been no policy for Central America. Yet from the beginning, the administration has made it clear that it has four very distinct interrelated objectives there: No. 1, support for democracy reform and human freedom in each country. No. 2, renewal of economic development and growth

to address the cause of turmoil and conflict. Three, security for the democratic governments in Central America to counter external subversion. And four, support for a political solution to the conflicts in Central America through peaceful, internal dialogue and dialogue among the countries in the region.

Critics complain the administration is only seeking a military solution in the region. Yet, should aid to a democratic resistance in Nicaragua fail, a military solution is precisely what will result. As the Secretary pointed out, the Communist Sandinistas will militarily wipe out all opposition. If you do not believe that, just wait and see. With the consolidation of the regime, the Sandinistas will then be free to continue their export of revolution to an even greater degree.

The capture in Honduras in December of ammunitions, grenades, communications and inscription materials being sent from Managua to Salvadoran guerrillas is the smoking gun critics have said they need to prove the Sandinistas are aiding guerrillas in other countries.

We also have evidence that the Sandinista Communists aided the M-19 terrorists in Colombia by giving them weapons for two November assaults on the Supreme Court in Bogotá. They were traced through serial numbers to the Sandinistas in Nicaragua. Those critics who have refused to acknowledge the evidence of Sandinista support for external subversion are condemning to death the democracies of this hemisphere. Fighting communism and preserving democracy should not be determined by a double standard.

It makes no sense to be supporting freedom fighters in Afghanistan and Cambodia but not in Nicaragua. It makes no sense to seek the ouster of Marcos in the Philippines because of fraudulent elections but not Ortega in Nicaragua. It makes no sense to demand internal reconciliation and dialog in El Salvador but not in Nicaragua. The administration and those of us who support it share the objective of seeking a negotiated settlement in Nicaragua.

The Contadora document of 21 objectives calls for internal dialog in Nicaragua. United States supports it, Contadora supports it, the Catholic Church in Nicaragua supports it, the democratic resistance in Nicaragua supports it. Only the Sandinistas Communists have refused to consider it. If we want the Sandinistas to negotiate and everybody says they do then we must not remove the incentives for them to do so. If we do, it will soon cease to exist and the Sandinista's will have no need to negotiate.

So I would urge my colleagues to vote no on the motion before us.

Mr. BARNES. Is there a further discussion of the gentleman's motion? Hearing none, the vote occurs on the motion of the gentleman from Massachusetts that the subcommittee report House Joint Resolution 540 unfavorably to the full committee.

Mr. BARNES. The staff director will call the roll.

Mr. JOHNSON. Mr. Barnes?

Mr. BARNES. Aye.

Mr. JOHNSON. Mr. Studds?

Mr. STUDDS. Aye.

Mr. JOHNSON. Mr. Gejdenson?

Mr. GEJDENSON. Aye.

Mr. JOHNSON. Mr. Kostmayer?

Mr. KOSTMAYER. Aye.

Mr. JOHNSON. Mr. Dymally?

Mr. DYMALLY. Aye.

Mr. JOHNSON. Mr. Weiss?

Mr. WEISS. Aye.

Mr. JOHNSON. Mr. MacKay?

Mr. MACKAY. Aye.

Mr. JOHNSON. Mr. Reid?

Mr. REID. Aye.

Mr. JOHNSON. Mr. Lagomarsino?

Mr. LAGOMARSINO. No.

Mr. JOHNSON. Mr. DeWine?

Mr. DEWINE. No.

Mr. JOHNSON. Mr. Burton?

Mr. BURTON. No.

Mr. JOHNSON. Mr. McCain?

Mr. MCCAIN. No.

Mr. JOHNSON. Hyde?

Mr. HYDE. No.

Mr. BARNES. The staff director reports that the vote on the motion is 8 to 5 in favor of the motion to report House Joint Resolution 540 unfavorably to the full committee. We will convey that information to the chairman and as I understand it, the full committee will consider this House joint resolution tomorrow. I want to thank all members of the subcommittee for your cooperation and your participation in the hearing.

The hearing is now concluded.

[Whereupon, at 4:45 p.m., the hearing was concluded.]

## UNITED STATES ASSISTANCE TO THE NICARAGUAN CONTRAS

THURSDAY, MARCH 6, 1986

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The committee met in open markup session at 11:11 a.m., in room 2172, Rayburn House Office Building, Hon. Dante B. Fascell (chairman) presiding.

Chairman FASCELL. I want to start out by asking for your cooperation, members and staff. We have a full room. We have a heavy agenda. I want as little staff movement as possible, please.

Thank you.

We meet today to consider several bills.

[Whereupon the committee proceeded to other business.]

The next item on our agenda is House Resolution 389, which the Clerk will report.

Mr. BRADY [reading]:

House Resolution 389. Congratulating the Inter-American Foundation on its 15th anniversary and commending it for its outstanding contributions to United States—

Chairman FASCELL. Without objection, further reading of the resolution will be dispensed with, printed in the record in full, and open to amendment.<sup>1</sup>

Mr. Garcia?

Mr. GARCIA. Mr. Chairman, I would just like to join with my colleagues, because the Inter-American Foundation is one of this body's finest creations. Sometimes we win and sometimes we lose, but there is no doubt in my mind that with the IAF we have won.

Fifteen years ago, you introduced the legislation creating the IAF, Mr. Chairman; so we should congratulate you as well. I think it is a credit to the House that the Foundation has made such a distinguished contribution to the nations of the hemisphere.

Chairman FASCELL. I thank the gentleman for his remarks.

Any further discussion?

[No response.]

Chairman FASCELL. If not, the question is on House Resolution 389.

All those in favor, signify by saying "aye."

[A chorus of ayes.]

<sup>1</sup> See p. 73.

Chairman FASCELL. All opposed, "no."

[No response.]

Chairman FASCELL. The ayes have it, and the resolution is adopted.

And the next item on our agenda is House Joint Resolution 540, the executive branch request for further military and humanitarian assistance to the Nicaraguan democratic resistance forces.

The chief of staff will report the resolution.

Mr. BRADY [reading]:

House Joint Resolution 540. Joint resolution relating to Central America pursuant to the International Security and Development Cooperation Act of 1985.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, that the Congress hereby approves the additional authority and assistance for the Nicaraguan democratic resistance that the President requested pursuant to the International Security and Development Cooperation Act of 1985, notwithstanding section 10 of Public Law 91-672.

Chairman FASCELL. The gentleman from Maryland, Mr. Barnes, chairman of the subcommittee.

Mr. BARNES. Thank you very much, Mr. Chairman.

I think everybody is all too familiar with this issue, the issue embodied in House Joint Resolution 540 with respect to the President's request of February 25 for \$70 million in military aid, and \$30 million in nonlethal logistical assistance to the Contras.

The Subcommittee on Western Hemisphere Affairs, which I have the privilege to chair, voted 8 to 5 yesterday afternoon to report this resolution unfavorably to the full committee.

Let me take just a moment, if I may, because I have been so involved in this issue from the very beginning, to take some of my colleagues who have not been as involved, or perhaps arrived after the issue really began, back through just a moment of history on it.

I first learned of U.S. assistance to groups fighting in Nicaragua from an anonymous phone call from someone purporting to be in the administration, telling me that that the United States was engaged through intelligence agencies in training personnel that would leave the United States to go to Nicaragua to engage in paramilitary activities, and that this was a covert operation, and that we were going to be conducting this.

I called the then-Assistant Secretary of State, Tom Enders, and asked if I could meet with him. I said I did not want to discuss the subject over the telephone; and we met the next morning for breakfast.

And I told him what I had learned through this leak, and he assured me that what was happening was a very limited, extremely discreet program of hiring and arming small bands of 10 to 12 paramilitary personnel who would operate along the Honduran-Nicaraguan border to interdict arms shipments that were going from Nicaragua through Honduras to El Salvador, and that this would be very tightly controlled, and that it would not be permitted to expand in any way; and that I could be assured that we had no fear that this was going to get out of control.

And I remember this conversation as though it was this morning at breakfast, not some years ago. I said to the Assistant Secretary:

Tom, you know, these things just have a way of getting out of control a little bit, and eventually we are going to find that the tail is wagging the dog, and they have



their own agenda. Our agenda may be to interdict arms shipments, and to operate along the border, but they are going to have their own agenda. And if you are hiring former Guardsmen and people who have their own political purposes, they are not going to listen to our ideas of what their activities should be; they are going to be engaged in trying to overthrow the Government in Nicaragua.

But I was assured absolutely that that would never happen, that this was a very tightly controlled program and that all we were going to do was to permit them to interdict arms along the border.

Well, that is the first that I learned of it. That is the first conversation that I had about the program, and now here we are, some years later, and today the Secretary of State made the case to a number of us in the committee that we cannot abandon this program now because, to do so, would be to abandon this huge group of thousands of people who are fighting in Nicaragua, trying to overthrow the Government of Nicaragua.

We have come a long way from those bands of 10 to 12, whose purpose it was to interdict arms shipments, and we face now one of the most momentous foreign policy questions that the Congress will confront in 1986.

We do not fully know what we are voting on, I would say to my colleagues, because the President's request, although it is limited to \$100 million, removes all of the restrictions—and I have had this confirmed in conversations with the, discussions with the distinguished chairman of the Intelligence Committee—the President's request removes all of the restrictions that are currently in the law, with respect to the expenditure of the funds.

As you may recall, a very tough compromise was hammered out last year over how the \$27 million that was appropriated could be expended. No other funds may be expended. No other Department of Defense funds, for example, could be reprogrammed for supporting these groups.

No use of the contingency funds of the Central Intelligence Agency may be used under current law, for this program.

But this request of the President, which we are voting on this afternoon, removes all of the restrictions, so we do not really know what will be done. We really do not know how much money will be spent if we approve the President's request. This is an open-ended approval.

If you vote this afternoon to approve the President's request, you are voting unlimited discretion, essentially, to the administration to do whatever it wants with respect to assistance to these groups in Nicaragua, to get the intelligence agencies totally involved, to get the Defense Department totally involved, to get us deeply involved in a war in Central America.

So, I urge my colleagues to consider that very carefully.

On the merits, you may determine that that is exactly what you want to do, but you ought to understand what it is you are doing before you do it.

The last thing I would like to say, Mr. Chairman, if I may, very briefly, is that I think the debate of the last few days has taken on a very sad dimension.

I have not been in Congress very long. I am only in my fourth term, and there are members of this committee who have been here far longer than I, but I do not remember a time during my

period here in which we have seen the kind of rhetoric from top-ranking officials of an administration attacked opponents of their policy.

The President of the United States yesterday said, in response to a question, that opponents of this policy are supporting communists.

The top official in the White House, Mr. Patrick Buchanan, wrote an article yesterday in The Washington Post, which said that you are either for the President or you are for the Communists.

Yesterday, the Assistant Secretary of State, a very able gentleman, Mr. Abrams, appeared before my subcommittee and essentially restated that: That if you are not for the President's policy, you are for the Communists.

Mr. Kalb, the spokesman for the State Department, yesterday, attacked me, attacked the General Accounting Office as somehow being engaged in a conspiracy to undermine the policies of this Government.

The President yesterday compared church leaders in the United States to Communist dupes that he has seen in Hollywood during his days dealing with "Communist-front groups."

The administration is constantly attacking human rights officials who put their lives on the line to gather human rights data in dictatorships of the left and the right all around the world as "dupes of communism."

We do not need this kind of debate; we can discuss these issues on the merits.

Mr. Chairman, these charges that Members of the Congress, that the General Accounting Office, that archbishops and bishops of many religions in the United States, that leaders of our human rights groups, and other legitimate, honorable, respected persons and institutions in our Nation are "Communist dupes" would be laughable were they not coming from the President of the United States and his top advisers.

Frankly, I do not believe we have heard such offensive nonsense from our top political leaders since the 1950's. These statements are the moral equivalent of McCarthyism. As one who is concerned about the President's policies, I suppose I might thank the President and his advisers for these tactics, which I think are probably doing more to unite the Congress against his policies than anything that I as an individual opponent of his program can do.

But, as an American, I can only be dismayed by these, I believe, unscrupulous attacks on the loyalty and the patriotism of people who have a different view. That is all they have is a different view of how to advance United States' interest.

These statements, Mr. Chairman, and my colleagues, I believe, demean the Presidency of the United States. They demean our Nation; they demean our democratic institutions.

I urge the President, and other officials of his administration to stop talking this way, to act from now on in this debate with a decent regard for the integrity of the institutions that bind us all as Americans together, and for the integrity of the debate through which we conduct our political business in a democracy.

I also urge the President to reconsider his policies, and to, I think, he could unite our country with every major democratic leader in the Western Hemisphere.

Are they all "dupes of communism"? Every major democratic leader in our Hemisphere has urged the President of the United States not to undertake this policy, and we could unite with them in a positive program in support of the Latin initiatives to find a mechanism, to find peace, and to pursue democratic principles and democratic institutions in Central America.

There are positive alternatives to this policy. We ought to debate those on the merits. We ought not to be attacking each other in the way that we have seen in the last few days; and to that end I would urge my colleagues to consider carefully the merits of the issue before us.

I think if you do, you will vote to report this resolution unfavorably to the House.

Chairman FASCELL. Let the Chair state here before we continue with this debate of course, everybody understands that this resolution has been reported to four committees, and under the expedited procedure in the law, that the resolution is unamendable, that within the time constraints that are laid down by the law, the bill will go the floor within that time period, and that that be ten hours of debate as the law specifies, and I certainly don't want to cut anybody off in this debate. There are a lot of important statements to be made.

But I just wanted to be sure that everybody understood the process here, the resolution could be reported unfavorably it could reported favorably, it could be reported without recommendation, but that's the extent of what this committee can do here today.

Mr. Broomfield?

Mr. BROOMFIELD. Thank you, Mr. Chairman.

And I think this is probably one of the most important votes we'll be casting in 1986, also. I would hope that our committee would return to a bipartisan foreign policy. I really think that's at stake and I hate to see the polarization that has developed here. I think we ought to consider the President's request in a bipartisan spirit.

I support the President's request for \$100 million in funding for the democratic resistance. The administration needs this funding to continue the two track approach for bringing democracy and reconciliation to Nicaragua. I believe the request the President's made is a very reasonable one. It deserves our support. We are faced, really, with one of the most major decisions about the future of democracy in that country.

And I'm saying this and everybody ought to understand it. Time is running out. If we fail to act, the game is over for the forces of democracy in Nicaragua with no military assistance and little humanitarian help getting through, the Contras are suffering and our opposition know that. We sit back and we watch as they are driven out of their homeland.

All I'm asking of this committee is to seriously consider following what the Armed Services Committee did today, and allow this issue to go to the floor of the House for consideration in 2 weeks. And I ask for a favorable vote. Now, I think it's extremely important to

give the President this opportunity. I think in the next 2 weeks, you'll be very very pleased at the initiative that we'll try to bring about for new negotiations.

Now, I believe that if Mr. Ortega would return from Cuba and start negotiating in good faith with the freedom fighters in Nicaragua, we could accomplish a great deal. The President has indicated if the negotiations can start, if Ortega would meet with the freedom fighters, he would agree to start with negotiations on a bilateral level with the Nicaraguans. I think there's a lot going for us, and I hope the Congress will forget trying to be just critical of the administration and look at what the President's trying to do.

The President has been extremely successful in the situation in Haiti, and I think that we ought to keep this going. The Philippines is another area where the President has been very very successful, and I just think this committee owes that much to the administration.

If they want to vote against this legislation after it reaches the floor, do it, but at least give the President an opportunity to have this issue reported favorably to the floor and wait 2 weeks before you cast your vote. The stakes are high; it's extremely important to our national security, and I sincerely urge you to do everything to get this bill to the floor favorably.

Chairman FASCELL. Mr. Lagomarsino?

Mr. LAGOMARSINO. Thank you, Mr. Chairman.

I think we should talk about the issues, too. You know, opponents of the request insist the United States should be pursuing a policy of negotiations in Central America. But the administration has in fact been seeking a negotiated solution since August of 1981, and the obstacle to the negotiations has been the intransience of the Communist Sandinista regime in Nicaragua. The attitude by them has changed very little over the past 5 years.

Their recent statements and actions on negotiations demonstrate clearly their opposition to achieving a verifiable enforceable Contadora peace agreement. Some of the recent examples of their efforts to obstruct agreement in Contadora can be seen in the reaction to the September 1985 Contadora draft agreement.

The Sandinistas, in November, objected to the draft, saying they could not accept it until they had reached a prior accommodation with the United States. On December 3, the Sandinista Communists requested suspension of the Contadora talks until May of this year. On December 9, the OAS General Assembly voted 28 to 1 toward continuation of the Contadora talks.

Nicaragua was that one. The only one member to vote against the resolution. In January, the Sandinistas repeated their objections to the September draft, and in February, Daniel Ortega once again rejected the Contadora draft agreement in a speech he gave before the Third Cuban Communist Party Congress in Havana.

Also in February, opposition political parties in Nicaragua proposed a series of objectives, including suspension of hostilities, a general amnesty, repeal of the state of emergency, agreement for new elections, fulfillment of the Sandinista Comandantes commitments for democratization and for international assistance to implement the proposals.

The Sandinista regime rejected those proposals. At the most recent negotiating session of the Contadora group, on February 14 and 15, Nicaragua continued to refuse to address the remaining issues to be resolved in the current Contadora draft. An initiative by President Duarte to resume his dialog with the guerrillas in El Salvador, if the Communist Sandinista regime in Nicaragua will begin a dialog with the democratic resistance in Nicaragua, puts the burden of proof on the Sandinistas to show they are truly interested in negotiations.

If the Sandinistas would sit down with the democratic resistance, as Mr. Broomfield has told us, the United States has said it will simultaneously resume bilateral talks with the Sandinistas. The obstacle to the negotiations has not been the United States; it's been the Nicaraguan Communists. In fact, the only reason they have participated in negotiations at all has been the result of the pressure they have felt from the Democratic resistance. If that pressure didn't exist, they would have no incentive to negotiate at all.

Last April, the House rejected aid to the Contras and the very next day, Sandinista leader Daniel Ortega went to Moscow. A lot of Members of the House apparently were embarrassed by Ortega's action. I don't know why they were or why they were surprised. He's been going to Moscow and Havana for years.

It's been a year, almost a year, since Ortega's trip for which a time seemed to wake people up around here to the true nature of the Communist Nicaraguan regime in Nicaragua. As a matter of fact, Ortega is in Havana right now. He apparently is confident Congress is going to turn down the aid. However, Bayardo Arce, one of the nine commandantes, is in Moscow, so we don't need to be disappointed about that.

Now, we're quickly approaching another decision on aid to the democratic resistance in Nicaragua, in another couple of weeks. The character of the Sandinistas has not changed in the past year; if anything, it's gotten worse. They've increased their repression against their own people; have continued to supply arms to the Salvadoran guerrillas, have used Cuban pilots in combat against the Contras, and have supplied weapons to the Colombian guerrillas which they used in the attack on the Colombian Supreme Court.

I shudder to think, my colleagues, that the House may reject aid to the Contras again, only to find itself embarrassed once more by Ortega and friends. You know, what greater atrocity will the Sandinistas commit only to have some people surprised by those actions.

So I would urge my colleagues to vote favorably for the resolution.

Chairman FASCELL. We will take a recess to make this vote, and then come back and resume discussion.

[Brief recess is taken.]

Chairman FASCELL. Thank you. The committee will come to order, please, and we'll continue our discussion on the pending resolution.

Mr. Hyde of Illinois.

Mr. HYDE. Thank you, Mr. Chairman.

There's a distinction to be made if one is interested in clarity in the intentions of legislators in advocating a specific policy and the consequences of that policy.

There's a well-known road paved with good intentions. And some liberals have raised to an art form the engineering of unintended consequences. I need only site Iran, Cuba, Cambodia, and a few other places.

For myself, I will stipulate to the unyielding patriotism of every member of this committee, but I reserve the right to comment and criticize the consequences of their policies which are most serious, if not terminal, for the cause of democracy in Central America. And when it comes to harsh rhetoric on this subject, I think a trend was set by the Speaker of this House, who said in a press conference, that President Reagan won't be satisfied until he introduces troops into Central America.

Now, if you think about that, it means the President wants to introduce marines and soldiers down there who undoubtedly will be killed, and I think that's pretty harsh. Now, the Speaker's entitled to think that and I'm sure he does think that. But there has been some harsh rhetoric on both sides.

And I would hope that that would not determine this issue. Marxist socialism is responsible for more scarcity deprivation and poverty than any other economic system in the world, and as a political system, it's the most sustained assault on the human spirit in history.

And any action or inaction on our part that nurtures or even holds harmless such a system on our doorstep to use the phrase of Muammar Qadhafi, is a major contribution to tragedy, a tragedy that's played out in Afghanistan, Cambodia, Ethiopia, Vietnam, Poland, the Baltic States, Eastern Europe, North Korea, and elsewhere, and now this infection has reached our hemisphere, our doorstep, and we have a chance to help control events, rather than as usual, react to events.

Today, we have an opportunity to offer solidarity by telling the whole world we stand with those who stand for freedom. The day we can insist that if the Soviet Union has a right to give military assistance to its client states, the United States has a right, and I would say a duty, to give aid to freedom fighters, and a force for liberation is not the moral equivalent of force for subjugation.

The fallacy of wanting to negotiate, negotiate, negotiate is simply that there is nobody to negotiate with as far as the Sandinistas are concerned except the United States or anybody on the globe but the Democratic resistance. The people with whom they must make peace. They refuse to talk to those Democratic resistance, to the freedom fighters, as Israel refuses to talk to the PLO.

Now, there's a reason for Israel not talking to the PLO. The PLO refuses to recognize the right of Israel to exist. But the freedom fighters inside Nicaragua recognize the right of the government to exist; they want free elections; they want pluralism; they want tyranny to be removed. So continue to ask for negotiations but you'll get nowhere until the Sandinista Communists are willing to negotiate with the people they should negotiate with, their own people, Nicaraguans who are trying to see that the revolution they participated in is fulfilled.

Now, let me quote from one of the great leading Democrats who's a member of this Committee, who was the chief sponsor of a bill to provide \$5 million overtly for military assistance to the democratic resistance in Vietnam. And here's what he said. And listen to his words. And I quote.

And while it is very true that ultimately the Vietnamese might react with more force, everybody recognizes, I would say to my friend from Connecticut, there is no way the non-Communist resistance is ever going to force Vietnam out. That's clearly impossible. But what is possible is that an increasingly effective resistance, by increasing the price Vietnam has to pay for their occupation of Cambodia might induce the Vietnamese to agree to a political settlement.

Now, if that makes sense 12,000 miles away, it makes sense on our doorstep. Pressure has got to be maintained. And aid to the Contras is one, but one indispensable aspect of that pressure. The impact on the front line states, I'm speaking of Honduras, El Salvador, Costa Rica, Guatemala, if we abandon the Contras will amount to cutting off the oxygen to the fragile democracies that are struggling to be born in Latin America. After all the equivocations, all the rationalizations, all the qualifications and all the evasions are made, and we are finally faced with a stark simple question: which side of the barricades are you on?

The word "barricade" is interesting because the Baricada is one of the great Communist papers in Managua. They understand that the barricades are in place. If we refuse to add our money to the Contra's lives today, we're going to pay a fearful price tomorrow. I support the resolution and I prayerfully hope that we can find it in our hearts to do so to pass it on to the floor.

Thank you. Mr. Chairman?

Chairman FASCELL. Mr. Torricelli?

Mr. TORRICELLI. Thank you, Mr. Chairman.

Mr. Chairman, about Nicaragua, two things can be said with certainty. One, that almost everything that can be said has been said, and second, almost everyone who has had a view through these last few years has been wrong. Those of us who have hoped for the best from the Sandinistas have found the worst. Those who had hoped that a military intervention might bring peace have found only more conflict.

There is perhaps only one thing upon which we can all agree and that is that there is a serious and deteriorating situation in Central America. In fact, the situation with respect to Nicaragua is deteriorating rapidly.

In meeting the realities of that problem, we have one primary obligation; one first obligation among all others. And that is to construct a policy that has a chance to succeed and on any level of analysis, this policy, the Contra invasion of Nicaragua, has been a failure. First, militarily, the CIA has been assisting the Contras in their invasion of Nicaragua for 4 years, longer than America fought Japan and Germany.

And yet, after 4 years, the expenditure of \$100 million, they have yet to win a single engagement, to liberate a single town, to occupy a square yard of territory, and in fact, they have less troops fighting today in Nicaragua than they had last year or the year before.

Economically, the administration argued that it was critical to begin the Contra invasion because there was a growing dependence

on the Soviet Union. When the invasion began, 4 percent of all trade with Nicaragua was with the Soviet Union. This year, it'll pass 30 percent.

As for Cuban influence, we were told that the invasion was critical because of a growing Cuban influence in Nicaragua. And indeed in 1981, we were told there were some 200 Cuban advisers. Today, there are 3,000.

As for military aid, in 1982, the President came forward and told us that it was critical to have a Contra invasion because the Nicaraguans were receiving 900 tons of Soviet military supplies. Today, it's 18,000 tons. It isn't enough therefore to suggest that this Contra invasion has been a failure. It has been more than a failure. It has been counterproductive.

It has created the very circumstances that we feared the most. Mr. Chairman, I am prepared to support the administration in a realistic policy toward Central America that has some chance of accomplishing the very goals that are designed for the policy.

But don't ask us to support a policy that is producing the very problems that we have feared the most. Nor am I dissuaded from a policy because America must stand alone. Some of our finest policies have found us alone. But doesn't it tell us something when every democratic nation that is our ally opposes us? That every democratic nation in Latin America has advised against this invasion?

That, in fact, the only two nations who stand with us are the dictators in Chile and in Paraguay? That may not be controlling, but doesn't that suggest something?

Mr. Chairman, I vote not merely for the defeat of this administration's policy, because I want to see them fail, but rather with the hope that it would serve as an invitation to work with this Congress and this committee. The construction of a bipartisan foreign policy that allowed us to be so proud of our role in the Philippines began in large measure in this committee.

That door is still open. Mr. President, come clean; start fresh; work with us for a new policy, not because we don't think the situation is serious, it is. Not merely because this policy of invasion has failed, but because it has been worse than a failure. It has been counterproductive. It is creating the circumstances that we fear the most.

Thank you, Mr. Chairman.

Chairman FASCELL. Mr. McCain?

Mr. McCAIN. Thank you very much, Mr. Chairman. I agree with the previous speaker, at least on what he first said, and that is that everything that there is to be said has been said.

However, picking up where he left off, a Contra "invasion," I'm curious how a group of people can invade their own country. The argument that because of the United States' involvement, there has been an increase of Cuban or Soviet involvement, is difficult to reconcile with the example in Angola.

For 10 years, under the Clark amendment, Mr. Savimbi didn't receive a bandaid or anything else from the United States, and yet we have gone from 9,000 to 45,000 Cuban troops in that part of the world.



No, unfortunately the Contras do not control very much of that country, and neither do the mujahedeen in Afghanistan. I'd be interested to know if for that reason, we would want to stop assisting the freedom fighters in Afghanistan.

Perhaps my esteemed and respected colleague from New Jersey who mentions 4 years of involvement, does he remember that as of June 1984, the United States cut off all assistance in every fashion to those Contra forces? So I would make an argument that since all assistance was cut off, we indeed have not been involved. In fact, it's only been in the last few months that some \$18 million in humanitarian aid has been provided.

I'd like to go back if I could, to Chairman Barnes' comments. I think that he certainly has made an admirable effort to resolve this issue. I have been on the other side of him from military aid to El Salvador to this one. He mentions how someone called him and told him we cannot abandon them now. I would remind him that we did abandon them, and we have come a long way since the beginning.

We've come a long way with 7,000 Cuban troops, PLO, Bulgarians, East Germans—it reminds one of the bar scenes in Star Wars as far as on international line up of interesting people are concerned. Yes, they've come a very long way. As far as Chairman Barnes' assertion that we don't fully know what is in this particular piece of legislation, that may be true, but it is not this side that put this legislation on a fast track in order to beat the Senate.

And it would have been a great deal of assistance, not only the Congress of the United States, but to other members of this body, if we could have had full-fledged hearings and a proper ventilation of this issue. Last year, the Western Hemisphere Subcommittee, on which I sit, had five separate hearings in a period of 3 days on this issue, and there was no legislation before us.

Yesterday, we had one hearing in which the GAO made a very fascinating report about our being unaccountable in areas that the GAO is forbidden by law to go into. As far as Congressman Barnes' statement about removal of restrictions, it does not; we all know that. There's not going to be any full funding. This Congress isn't going to allow it, nor would the American people.

As far as the GAO is concerned, I think someone should question a GAO report of which one copy is delivered to the majority and the Washington Post carries a story about it the next morning, before members of the minority know about it. I think it's interesting that the GAO witness was asked by our chairman if the State Department had had a chance to comment on their conclusions. He said, yes, and the following State Department witness came up and said he had not been allowed to comment on the conclusion reached by the GAO. I think that that issue itself should be resolved before we give credence to a GAO report.

I'd like to talk about the issue of the rhetoric. I thought that in our meeting this morning with the Secretary of State, we had resolved this issue of the level of rhetoric and I'm very disappointed.

I see Congressman Barnes had to bring it up again, because I think the charges of McCarthyism only tend to inflame the debate here, rather than mute it.

I understand his concerns about the level of rhetoric. It was pointed out by Mr. Hyde what the speaker said. I do not blame either side; I blame both. I think it would have been much more helpful if, in his appeal for muting of rhetoric and bipartisanship, the charge of McCarthyism had not been raised. No one chooses to be accused of McCarthyism.

Finally, what about the other channels and the diplomatic exercises that we should pursue? I'm one who fervently hopes that a political, not a military solution, will prove the salvation of Nicaragua. I'm also a cosponsor of House Concurrent Resolution 283, which expresses the support of Congress for the Caraballeda principles and the Contadora process.

In the meantime, Nicaragua's subterfuge against a political settlement continues. In the last 4 months, they have insisted on a political settlement with the United States as a precursor to a Contadora agreement, twice requested suspension of the Contadora process, and voted against an OAS resolution to support the continuation of Contadora. Just a few days ago, President Duarte made an offer that he would negotiate with the rebels in his country if the Nicaraguan Government would do the same. And I quote, he says,

I don't think I'm going to resolve the problem in El Salvador unless the problem is solved in Nicaragua. If there are problems in Costa Rica and Honduras and other neighboring countries, I suggest that those problems will not be settled unless it was within Nicaragua.

Finally, Mr. Chairman, I repeat the urgings of my colleagues. Let's please address this issue on a bipartisan basis and not question anyone's integrity, patriotism or dedication to the future security of this Nation.

Thank you, Mr. Chairman.

Chairman FASCELL. Mr. Studds.

Mr. STUDDS. Thank you, Mr. Chairman. And amen to what Mr. McCain just concluded by saying.

Mr. Chairman, the halls are ringing with rhetoric and very deep emotion. I must say that my principal reaction after 5 years of debating this issue is sadness. Whatever the outcome of this debate and the orgy of propaganda that surrounds it, it's not going to reflect well on our Government. It's not going to change the policies of the Government of Nicaragua. It's not going to make the exile groups something that they are not, and it is not going to end the incredible and bitterly unfair suffering of the Nicaraguan people.

The saddest part for me is that the United States' role in this crisis could have been so much more constructive than it has been. Recent events, as many colleagues have pointed out, have demonstrated how much the United States can accomplish when our Government fights for policies and ideals that members of both parties in this Congress and the Nation, as a whole, support.

Unfortunately, our policy in Nicaragua as in Angola, remains self-indulgent and extreme, a creation of Presidential advisers who divide all history into last week and the part they haven't yet had time to read about. The administration's strategy embodied in this request for \$100 million is to fight repression with terror, to take an approach that has not worked and to do much more of it.

The administration has found \$100 million the Defense Department could spare and decided to spend it not on helping freedom

ic. It take root in Haiti or Guatemala or the Philippines, not on helping  
not bla to feed or shelter the hungry and homeless in our own country, not  
uch m even on helping to retire the debt, but instead to give more than  
tisanr \$10,000 per Contra, 10 times the per capita income of Nicaragua, to  
choos an exile force that has been fighting for 5 years against a wretch-  
edly poor, incompetent and not particularly popular government.

atic en One of Lewis Carroll's characters, Mr. Chairman, told Alice that  
es tha "if I tell you something three times, then it is true." But no matter  
of Nica how many times officials of this administration say it, the fact is  
tion & that the leadership of the FDN is not fighting for freedom but in-  
la prin stead for the restoration of personal privilege and power inside  
Nicaragua.

tical & If they were in truth freedom fighters, neither they nor their  
on a p allies in Washington would have to claim that title so often or so  
a Com loudly. This clique remains after 5 years of U.S. support, brutal  
ora pr and cynical sychophants, reminiscent not of Sandino but of  
contia Somoza, at home far more in Miami, than in Masaya, embraced by  
made & the Heritage Foundation but kept at arm's length by their own  
ry if th people.

he say The fact is, Mr. Chairman, that U.S. policy toward Nicaragua  
e proe will continue to fail as long as it remains simply a U.S. policy. We  
and st do not have the support of Latin American democracies for this  
less it policy and it is foolish to expect Latin American governments to  
leagues respond to our concerns about Nicaragua if we do not respond to  
ot que their's about international law, especially the principle of noninter-  
re sec vention, and if we insist on supporting anti-Communist forces  
nat M simply because they are anti-Communist, whether they embrace  
ry dec democratic and socially progressive values or not. We face no  
s of d threat from Nicaragua that cannot more readily be countered with  
debat a policy having regional backing, than by the failed unilateral  
to re measures of the past 4 years, to say nothing of the past 60 years.

e ex We need not fear to listen to our democratic friends in Latin  
nd th America, nor should we question their motives, their honesty, or  
people their courage. They are, on the contrary, this hemisphere's greatest  
in th strength. It is on their side we should come down; it is in them we  
s been should place our trust and support; and it is in alliance with them  
lemon that we should reject this request for military aid. Mr. Chairman,  
r Gov Winston Churchill observed once that the only thing we learn from  
partie history is that we don't learn anything from history. For God's  
sake, just this once, let us learn a lesson from our own history, and  
not repeat once again the tragic and futile cycle of United States  
intervention in Central America.

And let us also learn what we should have learned so many  
times in the past, that you cannot sustain a foreign policy and a  
democracy without the support of the people of that democracy.  
And I urge the rejection of the resolution.

Chairman FASCELL. Mr. Leach?

Mr. LEACH. Thank you, Mr. Chairman.

I think frankly rather surprisingly, there's a great deal of con-  
sensus on goals in the region, and what's lacking is any consensus  
on means. And it's my intention to vote no in this assistance pack-  
age, because I'm concerned in the first instance that we haven't  
ourselves conducted a foreign policy consistent with international  
law, and at its inception consistent with domestic law, and because

the civil war that we are partially responsible for sparking involves atrocities on both sides in what appears to be an escalation rather than descalation of violence in the region.

On issues of means, and I think if we all remember in the 50's and 60's, there was in foreign affairs always a great question: what is the difference between ends and means, and if we can agree on an end, we still have to ask what are the appropriate means. It's fair to ask what the tradition of the United States of America is in foreign policy and whether we are following a policy consistent with our traditions.

In this regard, I think the traditions of the United States are threefold in the developing world. One is that we respect the rule of law; second, that we support noninterference in the affairs of other states, and thirdly, that we have a preference for negotiated rather than violent solutions to problems.

And from this perspective, it strikes me that the policy that we've inaugurated, and that we're asked to support with another \$100 million, is contrary on all three points. And therefore, I think this Congress has no choice but to balk at this request, and proceed in another manner.

Finally, just let me say it's not clear whether an alternative will be presented on the House floor, but if one is presented, I would be hopeful it would include a requirement that the administration rescind its announced intention to withdraw from the jurisdiction of the World Court in political matters, a policy that becomes effective early next month, and about which this Congress has taken no substantive stand. I think it would be appropriate in an alternative if it is developed, that the issue be addressed.

Thank you, Mr. Chairman.

Chairman FASCELL. Mr. Weiss?

Mr. WEISS. Thank you very much, Mr. Chairman.

I will be very brief. Through a series of subterfuges which began with the pretense that we were arming former Somoza people and others in Nicaragua to interdict arms shipments to El Salvador, through the pretense that they were only being supported to pressure the Nicaraguan Government, we're now at a position where we're supporting a group intent on overthrowing the Government of Nicaragua.

And there's been reference this afternoon to discussion of this morning's meeting with the Secretary of State, and I think that we have to be extremely concerned about where this policy of military assistance now will take us. His position has been that we cannot abandon the Contras in Nicaragua because to do so would place them in a position of being demolished.

OK, so we give them \$100 million now in arms and they don't succeed, and then next year, we give them \$100 million more, and they don't succeed and then they ask for air cover and they don't have the pilots to run that, so we do it, and they still don't succeed, and the next thing we know, we're in there in full force militarily. That's the path that this request takes us down, and that's why the American people and the other Latin American countries have opposed our military solution to this problem.

And that's why we ought to defeat this request for additional moneys.

Chairman FASCELL. Mr. Smith?

Mr. SMITH of Florida. Thank you, Mr. Chairman.

Mr. Chairman, earlier today Mr. Barnes said, and I quote, "there's not one of us who want to see the Communists succeed." I just wanted to say that I fully agree with that, but the sad fact of the matter is that the Communist Government of Nicaragua is succeeding and may be given a substantial boost if a meaningful aid package to the freedom fighters is not approved.

Despite our highest hopes and our highest expectations, in the late seventies and early eighties, the records of the Sandinista dictatorship have been shameful. Since 1979, they have systematically and ruthlessly consolidated their power and control. They have trashed fundamental human rights; they have executed thousands of their countrymen, and they have practiced genocide against the Miskito Indian minority, and they have persecuted the Catholic Church and other religious bodies.

Other freedoms, including the freedom of the press, simply do not exist in Communist Nicaragua. Internal repression is bad today, and it's growing worse. The Red Cross reports that the number of political prisoners today is between 7,500 and 10,000, and one of the most repressive instruments today of control is the Sandinista Defense Committee which are neighborhood committees organized to spy on neighbors and to keep people in line. Tomas Borge has called the some 10,000 CDS's the eyes and the ears of the revolution.

Mr. Chairman, is there any member of this committee who doesn't acknowledge that the people of Nicaragua are the victims of a Communist police state? I dare say not. In addition to the internal repression, Mr. Chairman, Nicaragua poses a threat to its neighbors that simply cannot be overstated. Junta members including Tomas Borge have said, and have made it very clear, that the Communist revolution extends far beyond its own borders.

I would note that Congress, as early as last year, pointed out in the Internal Security and Development Cooperation Act of 1985, that the Government of Nicaragua, and I quote:

Has flagrantly violated the security of the nations in the region in that it has committed and refused to cease aggression in the form of armed subversion against its neighbors in violation of the Charter of the U.N. and the Charter of the Organization of American States.

The Kissinger Commission also concluded that Nicaraguan threat to its neighbors was compelling. To briefly quote one paragraph from that Commission report, it's stated and I quote:

The Commission encountered no leader in Central America including democratic and unarmed Costa Rica, which did not express foreboding about the impact of a militarized totalitarian Nicaragua on the peace and the security of that region. Several expressed the view that should the Sandinista regime now be consolidated as a totalitarian state, their own freedom, and even their independence, would be jeopardized.

Mr. Chairman, the aid package before us is an attempt to provide at least some meaningful help and assistance to the freedom fighters who are committed to democratic ideals and fundamental freedoms. I know that there will be some here today that will argue that we ought to wait just a little longer before providing aid.

Well, I too have some hope that the Contadora process may eventually yield some results. I think that it's more realistic to believe that the real pressure on the Communists, real pressure, is more likely to get them to negotiate. I would remind my colleagues that we suspended military aid in June of 1984, and we waited and we hoped and we waited, and the Sandinistas responded by bringing in more and acquiring more military hardware from the Soviet Union and by refusing to negotiate with the freedom fighters.

Finally, Mr. Chairman, just let me say that in the March 10 issue of the New Republic, Arturo Cruz has made a very wise and some insightful comments, and I would just share one of his insights with the committee. And he said "the Sandinistas are confident that the Congress will not support military aid at a time when the diplomatic game called Contadora appears to be undergoing one of its cyclical resuscitations."

Ladies and gentlemen, I believe the time has come to approach this issue with more realism. If we refuse to face the truth concerning Managua's true intentions and its true goals in Central America, there is a real chance, Mr. Chairman, that Central America will grow incrementally more Communist while we cling to very well meaning straws of hope and fanciful sentiment as we play the waiting game.

I yield back the balance of my time.

Chairman FASCELL. Mr. Garcia.

Mr. GARCIA. Thank you, Mr. Chairman. I'll try and be as brief as possible, as well.

I believe that the issue is really how can we support change in Nicaragua and at the same time, bring stability to and firmly institute democracy in Central America. I honestly don't believe that the Contras will be able to do that. Even if they won their war, there would still be an insurgency on the part of the Sandinistas, and the fighting will continue. Our best hope is to be supportive of regional peace initiatives; initiatives that come from the people of Central America themselves.

For example, if we took that \$100 million, and divided it equally among the nations surrounding Nicaragua, we could show that these countries through economic development are moving forward. That in itself, as far as I'm concerned, will go a heck of a lot further in offsetting what is happening in Nicaragua today. I believe very strongly in the Contadora process. I also believe what President Oscar Arias Sanchez recently said on a national network television show, that the best way we can help in Central America is by helping the ailing economies of the nations of the region. By supporting and backing the rebels, we're going to once again alienate our friends in Central America.

What we did in Haiti and what we did in the Philippines was positive. How could we be so right in two places, two distant parts of the world, and be so wrong in Central America? For those of us in this room who have had the opportunity to understand what war is, I can tell you that we're not going to go anyplace by supporting the Contras. I hope that this resolution be defeated.

Mr. DORNAN. Would the gentleman yield?

Chairman FASCELL. Mr. Dornan is recognized for 5 minutes.

Mr. GARCIA. Would the gentleman yield?

Mr. DORNAN. For 5 seconds?

Mr. HYDE. Yes. Well, I think we have a new slogan here today: Give surrender a chance.

Mr. DORNAN. Well, I was going to ask the gentleman from New York to yield on one point, and I'll gladly yield back to him.

You mentioned what took place in Haiti and in the Philippines. Why did you not add Grenada?

I yield to the gentleman.

Mr. GARCIA. The situation in Grenada is different than what happened in both Haiti and in the Philippines. In both situations, it was peaceful transition. In Grenada, we had armed forces invading. I believe that we can accomplish as much in a peaceful manner in Nicaragua as we did.

Mr. DORNAN. Well, I thank the gentleman for elaborating his comment and I would recommend to you for reading, a brilliant gentleman who writes in the city of my birth and your home town, Mr. Irving Kristol. He wrote, in Monday's Wall Street Journal, "Now What for U.S. Client States," about all three states: Grenada, Haiti, the Philippines, which concerned all of us on this committee and which turned out in a very positive way. He also included Grenada because we now have, whether we want it or not, or like it, an obligation to help the new government succeed. I can't subscribe to everything Mr. Kristol suggests because it's so new to me, I'm still trying to comprehend what he means, for example, by "full and open immigration," with these countries, similar to what we do with our U.S. territory of Puerto Rico.

He points out that we, for good or evil by whatever circumstance, now have sort of an obligation to help Cory Aquino succeed, to help form some sort of democratic process in Haiti. When we see good Grenadan citizens in our own language calling our President "Uncle Ron," we certainly have some obligation in Grenada, because of the use of military force, as we invaded France in the name of helping France on D-Day of 1944.

Now, I'd like to read a quote from one of the nine comandantes in Nicaragua. Another one of the nine Communist Sandinista leaders who never heard a gunshot fired in anger, unless they were robbing a bank, is Bayardo Arce. He said, in the New York Times, on September 12, 1983, "We will never give up supporting our brothers in El Salvador."

He's talking about his Communist brothers fighting to overthrow the government of a truly elected gentleman, President Jose Napoleon Duarte, who is always well received and embraced warmly in the United States. I mean physical hugs, by both sides of the aisle. Steve Solarz and I rush to see who can give Jose Duarte a bear hug first. In America he would be considered a liberal Democrat.

He's a Notre Dame graduate, just like Phil Donahue of New York. When Mr. Duarte faces Bayardo Arce's "brothers," he sees individuals who are trying to kill him, who have kidnapped his daughter, mercifully she was released, along with a lot of hardcore Communist terrorists released as her ransom. I would like to let everybody know, in case it's escaped your ken, where Bayardo Arce is today, this very moment.

Probably in bed, but in a few hours, he will arise, travel to the Kremlin from his Moscow hotel, and will again issue statements in

the name of the Communist Government of Nicaragua about how wonderful he thinks the spread of communism is around the world.

Well, no matter whether its Tomas Borge, or Bayardo Arce or that whole gang of nine comandantes, we have seen a Communist colony established right here on the continent of North America. The only thing we can discuss is what stage of development this colony is in. Is it going to turn into fortress Nicaragua with a sea level canal that by the turn of the century will see not SAM-5's and -10's, but whatever the next generation is, SAM-15's or -25's, guarding their Communist canal. Then, each year, incrementally the Soviet Union will say, we have a right to fortify Nicaragua under the theory of self-defense.

Now, I agree with this lowering of rhetoric and I think that there can be something positive come out of this debate, but I'm waiting to hear from the other side of the aisle. Where do they want us to go beyond the Contadora process which our Secretary of State has convinced me breaks down by a vote of everybody against Nicaragua everytime they meet now?

Nicaragua quite logically does not want to touch the Contadora process when they believe they are within a few months of victory. June is their stated date that has now leaked out of all those secret intercepted documents. By June, they intend to have annihilated, with Soviet HIND helicopters, flown by Cuban pilots, every single Contra freedom fighter in that country.

Why should they concede anything, when they feel they can win militarily? And they certainly will do that if we fail to help the Contras.

Now, I do not think there's anything unpatriotic about a policy of isolationism for our country. I think its wrong-headed; I think it's foolish; I think it flies in the face of history. But it was members of my party, my party now, back when my family was a typical first generation Irish Democratic Party in Lower Manhattan, all the country club senators of my party called for a policy of isolationism.

They put up George Washington's picture all over the country, called for no more foreign entanglements. Nobody suggested it was unpatriotic; as a matter of fact, they suggested foreign entanglements might be unpatriotic. If the Democratic Party wants to pull back to the Rio Grande, to fortress America, nobody will question your patriotism, just your judgment.

If you come up with something more innovative to use the French diplomatic language, a cordon sanitaire, to just isolate Nicaragua with a Contadora prosthesis that says, you're hardcore Communists; there's nothing we can do except freeze you out. There's nothing unpatriotic about that, but is it going to work?

I'm sorry, Mr. Chairman. I did not see the red light button.

But to yield back to a further floor debate which I think we can conduct in a positive gentlemanly manner on the issues, I await your suggestions as to where we go from here under your plans, not just telling us where we're going to go if Ronald Reagan's policies fail.

Thank you.

Chairman FASCELL. The gentleman's time has expired.

Mr. Kostmayer?



Mr. KOSTMAYER. Mr. Chairman, I apologize to my colleagues for lengthening the afternoon. I'll speak just very very briefly.

All of us obviously share a common revulsion at the Sandinistas. They have been a bitter bitter disappointment and they have betrayed the revolution for which we had such hope in the summer of 1979. But it seems to me, Mr. Chairman, that that's not the issue. The issue is not the conduct of Nicaragua or the conduct of the Sandinistas. The issue is America's conduct.

America's standard and America's behavior in Central America is the issue with which we ought to be very directly concerned. This policy clearly cannot work; \$100 million is not enough to crush Nicaragua; it serves only as bait to attract more Soviets, more Cubans, and more repression.

In my own view, Mr. Chairman, with all due respect for my colleagues on the other side who disagree, this administration has never really seriously pursued negotiations with the Nicaraguans. And again the conduct of the Sandinistas when it comes to negotiation is not really at issue. I believe the enormous power and strength of our President could bring the Nicaraguans to the bargaining table by tomorrow if he seriously wanted to.

One of the most disturbing aspects of this debate Mr. Chairman, has been the human rights violations by the Contras. In this morning's New York Times, Edgar Chamorro, the former leader of the FDN, was quoted as saying,

The Contra military force is directed and controlled by officers of Somoza's national guard who fought at the dictator's side until the very end when they fled to the Honduras.

He goes on to say, and I quote,

Hundreds of civilian murders, mutilations, tortures, and rapes were committed in pursuit of this policy which the Contra leaders and their CIA superiors were well aware of.

I don't believe, Mr. Chairman, that this is a policy that should be sustained with American tax dollars. The good name of the United States of America is at stake and it will be severely sullied if this legislation is agreed to.

The Sandinistas and the Contras deserve each other; we deserve neither; we should negotiate a conclusion to this war. \$100 million will only widen the war and deepen the conflict. Foreign policy should not be made from the Pentagon, Mr. Chairman. It should be made from the State Department.

Thank you.

Chairman FASCELL. Mr. Solomon?

Mr. SOLOMON. Mr. Chairman, I'll try to be brief too. Earlier today, rather than tell you my feelings, I talked about the feelings of the grandson of Augusto Sandino, for whom the Nicaraguan revolution was named. That grandson had been imprisoned by the Sandinistas for 3½ years for speaking out against the inhumane Sandinista Government and how they exported revolution and how they exported terrorism and how they dealt in drug trafficking.

Rather than tell you my feelings for the remainder of my time, I think I'd like to just tell you the feelings of another Nicaraguan. His name is Jose Baldizon, and he was a Nicaraguan police officer who supported the Sandinista revolution. He supported it because

he believed in it. And after taking a 10-month criminal course from the Soviet Union, Baldizon was assigned to several posts in the Sandinista regime concerned with police investigations and economic reconstruction.

He was personally selected by Tomas Borge in early 1983 to chair the newly established Special Investigation Commission of the Ministry of Interior. This group was established to discredit and deflect criticism being made by the Inter-American Human Rights Commission about human rights abuses by the Sandinistas. As the ranking Republican on the Human Rights Subcommittee, I have spent a great deal of time talking to this gentleman and to others about this situation.

Baldizon chaired that commission for 2½ years until he, like a lot of others, defected in July of last year. And aside from his charges about drug trafficking by Borge, Baldizon makes these indictments against the Sandinistas. And this is really what we're talking about here today. Why are we involved with the Contras.

The Sandinista regime, and my good friend from Philadelphia was just talking about this, authorized the assassination of political opponents and about 700 to date have been killed. The Nicaraguan Permanent Commission on Human Rights was taken over by that same regime in 1981. All of the Commission's records were destroyed, and that's not me saying that that's human rights organizations throughout this world, and Mr. Baldizon who headed it up.

Mr. KOSTMAYER. Will the gentleman yield?

Mr. SOLOMON. I will, when I'm finished. I'll be glad to.

The Sandinistas have been engaged in a systematic campaign to brutalize and do away with the Miskito Indians. Now, he was a part of it. He was ordered to do it. The regime is actively involved in the training of Costa Rican guerrillas who are trying to destabilize that democratic country, another good democratic country.

The Sandinistas use mob violence to break up the political meetings of those in opposition to them. That still have the courage to meet. And many convicted criminals have been given positions in that regime today. These people are primarily used against the regime's opponents. Illegal break-ins, and surveillance are commonplace. Thievery and drug abuse are rampant among the regime's employees in the hierarchy, and it goes on and on and on.

The Sandinistas use elaborate propaganda charades to manipulate American visitors, particularly church groups, many of them from my district. Borge, for example, greets visiting churchmen in an office that's festooned with liturgical symbols and religious art. But when he goes into his back room, into his main office behind their backs, he contemptuously, Mr. Baldizon says, refers to these people as "useful fools." He actually works in his office in a room that is filled with Marxist and Leninist photographs and books.

A totally athiestic society! That's what we're talking about, ladies and gentlemen. I hope that all of you are going to attend a meeting by Congressmen Larry Smith and Ben Gilman, who head up the Task Force on Drug Abuse, when this same gentleman, Mr. Baldizon, will come in next Tuesday, before the final vote on the floor of this House. Maybe, just maybe, some of you will change your mind when you see what those people, those Nicaraguan San-

dinistas are doing and will do in the future to your children and mine.

That's why you ought to be voting for this legislation today.

Thank you.

Chairman FASCELL. Mr. Mica is next.

Mr. MICA. Thank you, Mr. Chairman.

It's been said that everything that can be said has been said, and I hate to disagree with my colleagues, but let me just say something that I think hasn't been said.

We aren't changing any minds here and the outcome of this vote today is essentially meaningless. The opportunity we have to speak today is helpful and we will get off our chest our feelings. But whether we vote for this resolution or against it, whether it wins or loses, it will be on the floor for an up or down vote very shortly.

I'd just like to say to my colleagues, we are the Foreign Affairs Committee of the U.S. Congress and the failure of the policy of America in Nicaragua is our failure, too. None of us, not one member of this committee, supports what the Sandinistas stand for and are doing.

We're sitting here arguing about two options on which most of us have already made up our minds a long time ago. But neither option can be realistically pursued for the next 3 years in a lame-duck administration or an administration that's going to change.

A 51-49 vote on the floor of the House; 51 percent is not a foundation for legitimate foreign policy for 3 years. And it can shift, and it will shift back and forth. We Democrats have had our way for the last few years; Republicans have had their way. I'd just make one plea for a little different approach here, that after the vote here today, whether we win or lose it, we begin to look for an alternative with which we can start to come together, some approach where we can say, "let's agree for the good of America." I've already started talking to several dozen Members. Today's vote isn't going to be the final vote.

Today's vote and the vote on the floor of the House will just be the beginning of a brandnew battle, and we'll go back to the two strong sides that totally disagree with each other. So I intend to offer an alternative; I've spoken to six people; I have six individuals who'd be willing to look at that alternative and probably support it. I think it can be done, but unfortunately, and as we told Secretary Shultz this morning, the level of rhetoric between the leaders of both parties has put us in a position where we're just digging in our heels on both sides.

So I don't want to beat a dead horse, but this is the beginning; this is not the end, and I hope you'll think about this after we cast this vote.

Mr. BEREUTER. Would the gentleman yield?

Mr. MICA. I'd be happy to yield.

Mr. BEREUTER. Thank the gentleman from Florida for yielding. I want to commend the gentleman for his remarks, for his approach. If we are to have any success in assisting the return of democratic institutions to that part of Central America, we have to have a consensus that is strong enough to be a sustaining consensus, one that will enable those people who understand the difficulties and the abuses that are being pursued in that country, to stand up and be

counted and say the same things publicly that they're willing to say to us privately.

So you can count on this Member to join you in attempting to find some solution that will lead to the consensus necessary to sustain our policy for Central America. I'd like to join the gentleman in his effort.

Chairman FASCELL. Mr. Wolpe?

Mr. WOLPE. Thank you, Mr. Chairman. First of all, I'd like to ask unanimous consent that a statement of Congressman Mel Levine be entered into the record at this point.

Chairman FASCELL. Without objection.

[Mr. Levine's prepared statement follows:]

PREPARED STATEMENT OF HON. MEL LEVINE, A REPRESENTATIVE IN CONGRESS FROM  
THE STATE OF CALIFORNIA

Mr. Chairman, we have before us the Administration proposal regarding funding for the Contras. This proposal would make available \$100 million for that purpose by transferring the money from FY 1986 Department of Defense appropriations.

\$30 million of this total would be for so-called "humanitarian" assistance, which would more properly be labeled "logistical" assistance. \$70 million would be used for, as the Administration proposal says, "any kind of assistance [the President] deems appropriate, using whatever agencies he desires..." Both the CIA and DOD would be able to carry out the President's plans.

Mr. Chairman, for five long years President Reagan has been pursuing a misguided, dangerous policy with respect to Nicaragua, and indeed all of Central America. Relying on military solutions, he has sought at every opportunity funds to pursue this policy. In doing so, he has chosen blindly to neglect the root causes of the problems - political repression and economic exploitation - and he has done nothing to bring about peaceful change. Notwithstanding his protestations to the contrary, President Reagan has not supported in any meaningful way efforts to resolve the problems peacefully, through diplomacy and negotiation.

It is with respect to Nicaragua that the President's policy has

been most dangerous. Last year the President was successful in convincing Congress to approve \$27 million in logistical aid for the Contras. Just how this money is being used is in itself unclear, as we know. Just yesterday The Washington Post reported that Congressionally required State Department audit controls over this aid to Nicaragua "cannot verify actual delivery or receipt of items" in the field because the Department "does not have procedures and controls which would allow it to provide these assurances." Now the President is asking Congress to give him virtually a free hand in how he will spend \$100 million of the American taxpayers' money.

Mr. Chairman, I strongly oppose giving even one cent to the Nicaraguan Contras - for any reason. President Reagan has repeatedly disavowed any intention of sending US troops to Nicaragua. But the logical result of his policy leads us to a contrary conclusion. The logical result of his policy is direct military involvement in Central America - something which would be disastrous and something which I reject categorically.

There is no question in my mind that President Reagan's policy will never lead to peace, democracy and economic renewal in Nicaragua. To the contrary, his policy has served well the Sandinistas by further entrenching them, by driving them closer to the Soviet Union and to Cuba, and by causing them to adhere more rigidly to their Marxist-Leninist ideology. President Reagan can not point to any successes his policy has achieved.

Mr. Chairman, all of us want to prevent the Soviet Union and its allies from exploiting the regional crisis in Central America. We all would find unacceptable the establishment of Soviet bloc military bases or the deployment of troops in Nicaragua or anywhere in Central America. Clearly, we must protect our own interests. But President Reagan's policy has not brought us any closer to achieving our goals in Central America, and certainly not in Nicaragua.

There is an alternative policy, however, and one which has not been given the chance to succeed. It is the resolution of Nicaragua's and the region's problems through peaceful means - through the Contadora process. It should not be the policy of the United States to overthrow the Nicaraguan government, or to provide military assistance to insurgents fighting against it. On the contrary, greater diplomatic efforts should be made, both through Contadora and bilaterally, to resolve the conflict between Nicaragua and the United States.

Sustaining the Contras is a no-win proposition, not only for the United States, but for Central and Latin America. Sometimes we forget that the countries in the region have at least as much at stake as do we, and our policy has been soundly criticized by those countries. We have a responsibility to do all we can to try to alleviate the regional problems, and to work with those countries to bring about a peaceful solution to the complicated and long-standing problems.

In closing, I would like to make one final comment, and it is about the Contras' human rights record. The Washington Office on Latin America recently released a report which concludes, "The preponderance of the evidence indicates the continuation of a systematic pattern of gross violations committed by contra forces...The presence of contra troops in a given locale seemed to give rise to a pattern of indiscriminate attacks against civilian targets, kidnappings, rapes, assassinations, mutilations and other forms of violence."

Mr. Chairman, this report, added to the factors I have already mentioned, leads me to conclude that President Reagan's policy will never help the United States to either fulfill our policy goals or enable the countries of Central America to resolve their conflicts.

I strongly oppose President Reagan's request for \$100 million in aid for the Contras, and I urge my colleagues to oppose it as well.

Thank you.



Mr. WOLPE. Mr. Chairman, I'll be very brief. Let me just say that I'm convinced that there is virtually no action this Congress could take that would do greater damage to American interests in Central America that would contribute more to the strengthening of the Sandinista regime and the excesses of that regime, and that would provide more explosive material for Soviet and Cuban propagandists than to approve this request for \$100 million in funding for the Contras.

I would hope that members of this committee and my colleagues in the Congress, would consider the views of those countries in the region that have really the most at stake and are closest to the conflicts. Eight Latin American countries, Brazil, Argentina, Mexico, Venezuela, Colombia, Peru, Uruguay, Panama have pleaded directly with the administration to stop our involvement with the Contras and to support their efforts to negotiate a reasonable solution to the problems in Central America.

They have not made these entreaties to the United States because they are pro-Sandinista; they are as uncomfortable as we are with the violations of human rights, with the absence of democracy, with all that the Sandinistas represent. But they are telling us that the policy of support for the Contras, the leadership of which has nothing in common with our democratic values or aspirations, is a sure-fire formula for disaster.

It will intensify the bloodshed, but it will do nothing to generate the conditions necessary for peace and democracy. The comment has been made earlier that the language in this debate has been terribly debased and I hope that we all will consider that in terms of the kinds of characterizations that have been made of those who we profess to be fighting. We seem to have to change the language or apply new labels to the terrible reality in order to make it palatable.

We call people freedom fighters who are closely identified with one of the most repressive brutal dictatorships that has ever existed within that region, the Somoza regime. When will we learn that that is not the way of enhancing democracy or democratic values or American interests?

Thank you.

Chairman FASCELL. Mr. Siljander?

Mr. SILJANDER. I find all the rhetoric and the discussion about this particular issue rather incredible. I think it comes clearly down to a simple principle. Do we in America allow a Soviet empire to continue to build a colony in our own backyard, based on a system of dictatorial totalitarian government institutions? Oh, yes, they did have elections. I suppose the elections in Nicaragua would probably make Marcos' elections look like the local PTA balloting. They do exterminate Indians in northeast Nicaragua, the Miskito Indians; they persecute the church. They did turn a beautiful synagogue into a boys' club in downtown Managua. They torture political prisoners. There are none of the freedoms that they promised before the OAS.

And yes, why are all the troops there? Why the foreign troops in Nicaragua? The Cubans, the Soviets, the East Germans, the Bulgarians, the Czechs and so many others, the litany goes on.

But I suppose that the Ayatollah Khomeini is there, and Qadhafi, helping the PLO find a homeland. Maybe that's why there are two Palestinian bars that cater in Managua exclusively to Palestinians. The subversion is obvious. They are there to exploit that subversion throughout the hemisphere and destabilize the United States. As soon as the first terrorist bomb blows from southern California, Texas, Louisiana, or anywhere else in the United States, there will be the greatest outcry of the American people: "Why didn't we do anything in the beginning?" Then it'll be up to us to commit our incredible billions and resources and our troops that are on board.

A little preventive maintenance is quite practical. Can we solve the problem? Can Contadora solve the problem? Mr. Speaker, I'd ask for unanimous consent to put a backgrounder dealing with the Contadora process by The Heritage Foundation in the record, including my remarks.

Chairman FASCELL. Without objection.

[Backgrounder, The Heritage Foundation, follows:]



March 5, 1986

## IN CENTRAL AMERICA, A DISMAL RECORD FOR THE CONTADORA PROCESS

### INTRODUCTION

As the debate over U.S. aid to the Nicaraguan democratic resistance intensifies, the "Contadora Process" is receiving renewed attention.<sup>1</sup> Many opponents of U.S. military aid to the resistance contend that the U.S. should negotiate instead and that Contadora offers the only real hope for peace. Thirty-one Democrat Congressmen sent that message in a letter to the White House in January, arguing that U.S. assistance to the Nicaraguan democratic resistance "undermines" the Contadora Process, and hence, that the President should not request renewed assistance for the freedom fighters until the Contadora nations were given one last chance to achieve peace.<sup>2</sup>

But the efforts of the Contadora Group should have nothing to do with a U.S. government decision to resume aid to the resistance fighters in Nicaragua. To argue otherwise is to fall into what one analyst calls "the multilateral fallacy"---"the idea that for American foreign policy it is not only unwise, but somehow illegitimate, for the U.S. to act without allied support."<sup>3</sup> The United States has

1. The "Contadora Process" refers to the Central American peace talks begun in January 1983, brokered by Colombia, Mexico, Panama, and Venezuela.
2. Letter from Representative James Slattery, et al., to President Reagan, January, 1986.
3. Charles Krauthammer, "The Multilateral Fallacy," The New Republic, December 9, 1985, p. 18.

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*Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.*

vital national interests at stake in the Central American conflict, which will directly affect its ability to meet its commitments around the world; the Contadora Group nations do not have such responsibilities. This fundamental difference in the posture of the two camps leads necessarily to the conclusion that U.S. policy should be decided wholly and unapologetically on the basis of U.S. interests and objectives, irrespective of Contadora Group criticisms.

The trouble is that the notion that U.S. assistance to the democratic resistance undermines the Contadora Process is illogical. This argument does not recognize the inextricable link between military power and successful diplomacy: that, in Clausewitz's famous dictum, war is the continuation of politics by other means.<sup>4</sup> The idea that a group of four weak nations whose only sanction is international public opinion could change the policies of a communist regime ignores the hard lessons of history. What is needed instead is a sustained combination of diplomatic, economic, political, and military pressure to force Nicaragua's Leninist regime to liberalize its policies domestically and stop subverting its neighbors.

Even if the Contadora Process were in principle the perfect avenue for such pressure, there would still be serious questions about the integrity of the Process. In the time between November 1985 and January 1986, the Contadora Group missed a deadline for signing a treaty, extended it another month, decided to suspend the talks for six months, and then issued a call for an immediate resumption of the talks. This erratic behavior illustrates that the Contadora nations are uncertain about their own goals and methods.

As Congress debates renewed U.S. military aid to the Nicaraguan democratic resistance, therefore, doubts are mounting about the viability of the Contadora Process. A Central American peace treaty is as elusive now as it was when the Contadora Process began. It is fair to ask whether the Contadora nations are sincerely interested in Central American peace, or whether they merely are concerned with keeping alive a dying negotiating process.

Some observers argue that there are only three alternatives to Contadora: regional war, a U.S. invasion of Nicaragua, or both. There is, however, a fourth option: the Organization of American States. The OAS is the world's oldest international organization. It has a long history of successful mediation efforts. It has resources available which the Contadora Group lacks. Moreover, as the regional organization for the Western Hemisphere, it has the direct responsibility to deal with the crisis in Central America. If the opponents of renewed U.S. aid to the Nicaraguan resistance want to continue a diplomatic effort to achieve peace in Central America, they

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4. Lenin rephrased it: politics is the continuation of war by other means.

ould recognize the shortcomings of the Contadora Process and instead push to have the negotiations moved into the OAS.

#### RECENT PROBLEMS WITH CONTADORA

When the Contadora Group ministers presented a September 1985 draft treaty to the Central Americans for discussion, they announced first, that a meeting of ambassadors would be held, beginning on October 7; and second, that this meeting would last no longer than 45 days. After 45 days, they said, they would convene a joint foreign ministers conference to sign the document.

Eight days before the final round of talks was scheduled to begin, Nicaraguan dictator Daniel Ortega rejected the draft treaty. He claimed that Nicaragua could not sign and abide by any such treaty as long as the U.S. was funding the Nicaraguan freedom fighters. He made no mention of Nicaraguan support on a much larger scale for communist guerrillas throughout Latin America.

The meeting broke up following a major argument on whether or not to continue the talks. A decision was made to extend the deadline for another 30 days.

Over the following two weeks, there was a flurry of diplomatic activity, as the Contadora Group and Central American ministers flew to New York for the United Nations General Assembly, then to Cartagena, Colombia for the OAS General Assembly. While the ministers were in Cartagena, the Mexican government announced that it was "cutting back on its activist role in Central America" because it was frustrated by the lack of progress in the peace talks.<sup>5</sup> Since the start of the Contadora Process, Mexico had been the Nicaraguan regime's in-house defender; its decision to decrease its role would have a damaging effect on Nicaragua's interests.

Further, there was a major diplomatic flap between Nicaragua and Colombia, as the Colombian government recalled its ambassador to Managua and considered breaking diplomatic relations entirely with

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5. "Contadora Foreign Ministers Meeting Concludes," EBIS, Latin America, p. A2.

6. "Ortega Outlines Position on Contadora," EBIS, Latin America, pp. P12-22.

7. "Ministers on Nicaraguan Rejection of Peace Plan," EBIS, Latin America, November 12, 1985, p. A1.

8. Robert J. McCartney, "Quest for Peace Is Renewed in Central America," The Washington Post, November 20, 1985, p. A27.

Nicaragua. The reason: the Sandinistas' undeniable role in the November assault on the Palace of Justice in Bogota by Colombian M-19 guerrillas.<sup>9</sup>

#### THE CARABALLEDA INITIATIVE

With these two diplomatic body blows, the Sandinista regime asked the Contadora Group last December for a six-month suspension of the negotiations.<sup>10</sup> Then just over a month after they accepted Nicaragua's request to suspend the discussions until this May, the Contadora Group ministers were meeting again, in Caraballeda, Venezuela, with the four Contadora Support Group foreign ministers.<sup>11</sup> Following the conclusion of these January 11 and 12 meetings, the ministers released the text of the "Caraballeda message for peace, security, and democracy in Central America."<sup>12</sup>

The Caraballeda message summarizes the fears and hopes of the Contadora ministers: "In the face of the growing threats against peace in Central America and in view of the risk of a diplomatic vacuum that would worsen tensions in the region, it is urgent and necessary to boost the process of negotiations...The process of negotiation must lead, as soon as possible, to the signing of the Contadora document for peace and cooperation in Central America, the only means for achieving a general political understanding that would allow a respectful, peaceful, and productive coexistence among the countries of the region."<sup>13</sup>

In other words, the Contadora nations knew matters were slipping away from them. The Sandinistas had imported massive amounts of arms and personnel from the Soviet Union and Cuba through December and

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9. After the assault was over, Colombian authorities traced half the weapons used by the guerrillas to the Sandinista regime. Moreover, Nicaraguan Interior Minister Tomas Borge, known as one of the most ardently pro-Soviet of the nine Sandinista commandates, attended a memorial service for the dead guerrillas, adding salt to the wound.

10. "Astorga, Consalvi on Contadora Postponement," FBIS, Latin America, December 10, 1985, p. A4.

11. The Contadora Support Group is comprised of Argentina, Brazil, Peru, and Uruguay.

12. "Prensa Latina: 'Text' of Contadora Document," FBIS, Latin America, January 14, 1986, p. 2.

13. Ibid.

January, convincing some experts that Nicaragua was just using the negotiating process to buy time until they could arm themselves.<sup>14</sup>

In early February a Contadora delegation travelled to the U.S. to meet with U.S. Secretary of State George Shultz. They urged the U.S. to support the Contadora Process. To demonstrate support, they said, the Administration should 1) to delay its request to the Congress for resumed military aid for the Nicaraguan democratic resistance fighters until after the March Contadora summit and 2) resume bilateral discussions with Nicaragua.

Acting on White House instructions, Shultz rejected their proposal. Instead, he offered "two cards you can use" to bring the Sandinistas back to the negotiating table: The U.S. would be willing to reopen talks with the Nicaraguan communists if they were willing to open discussions with their opposition, and the U.S. would "take into consideration" any change in Sandinista behavior toward its domestic critics.<sup>15</sup>

Four days after their meeting with Shultz, the Contadora ministers travelled to Panama City to meet with their Central American counterparts. Though Venezuelan Deputy Foreign Minister German Navas Carillo called the meeting "the most important moment" for the Contadora Group, the meeting broke up the next day without agreement. The participants, in fact, even failed to agree on the standard communiqué after the meeting. The chief of the Honduran delegation to the talks, Jorge Hernandez Alcerro, blamed the impasse squarely on Nicaragua: "The main obstacle to the achievement of a peace agreement continues to be the closed position of Nicaragua."<sup>16</sup>

#### THE INHERENT CONTRADICTIONS OF CONTADORA

The Contadora Process has been from the beginning a negotiating process riddled with problems. Even under the best of conditions, the governments involved would have found it difficult to compromise on the fundamental issues that divide the nations; under the spectre of war, those difficulties have been magnified. There are serious questions, moreover, as to whether or not the Process even takes into account legitimate U.S. interests in the region.

14. Jeremiah O'Leary and Mary Belcher, "Reagan Opens Campaign for Aid to Contras," The Washington Times, February 19, 1986, p. 1A.

15. Joanne Omang, "Latin Peace Talk Move Vetoes," The Washington Post, February 16, 1986, p. A25.

16. "Contadora, Central American Delegates Meet," FBIS, Latin America, February 19, 1986, p. A4.

The very notion, for instance, that a regional peace settlement could be negotiated without the U.S. presence at the table is unrealistic. The U.S. is the region's predominant power--militarily, economically, politically, and socially. Yet the essence of the Contadora Process is the idea that the crisis in Central America can be solved in a Latin American context, by the Latins themselves--or, in their words, that it can be divorced from the East-West conflict.

Clearly, this is not possible. The regional crisis became a central part of the East-West conflict when Moscow took the Nicaraguan communist regime under its wing, and then later decided to back Salvadoran communist guerrillas fighting the government of El Salvador. Whether or not the U.S. responded to this interference in what always has been considered a legitimate U.S. sphere of influence, the turmoil in Central America was by definition part of the East-West conflict. This fact then calls into question the central premise of the Contadora negotiations.

This premise was then almost immediately contradicted. No sooner had the Contadora Group issued its Caraballeda Message, calling for a "Latin American solution to a Latin American problem," than the Contadora ministers announced that they would visit Washington and Havana to seek the support of the U.S. and Cuba for their initiative.

Of course the U.S. supports a negotiated solution to the crisis in Central America. The question is: what kind of negotiations, between which parties, over what issues? The fundamental cause of the crisis in Central America is not poverty and injustice, as the Contadora Group suggests; it is the expansionist nature of the communist regime in Managua, and the ideology of "revolutionary internationalism" that it espouses. Such issues are, for the Nicaraguan communists, non-negotiable--unless one can force the Nicaraguans to negotiate. The Contadora nations, are powerless to force the Nicaraguan regime to do anything.

There is considerable resentment, moreover, in the Central American countries over the composition and thrust of the Contadora Group. Asks an adviser to the Guatemalan government: "Who are the Mexicans and the Panamanians [where "democracy" is virtually non-existent] to teach us about democracy? Who are the Colombians [who have been fighting a communist insurgency for thirty years] to tell us how to handle communist guerrillas? And who are the Mexicans and Venezuelans [who owe, between them, roughly \$130 billion to Western banks and governments] to preach to us about how to run an economy?"<sup>17</sup>

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17. Interview with the author, February 14, 1986.



#### THE OAS: AN ALTERNATIVE TO CONTADORA

By announcing a deadline, failing to meet it, extending it one more month, suspending the talks for six months, and then getting back together again five weeks later, the Contadora Group demonstrated the impotence of its entire negotiating process. The aim of the deadline was to pressure the Nicaraguan regime to sign the draft treaty. The Contadora ministers believed that Nicaragua, fearful of a U.S. invasion and reluctant to lose face in the international propaganda war, would rather sign a treaty with which it did not agree 100 percent rather than let it die. But when Managua balked, the Contadora ministers had no mechanism other than international public opinion to press the Nicaraguan communists to sign the treaty. This revealed that the Contadora Process has been little more than a discussion group.

It is for this reason that several nations want to move the stalled talks to the Organization of American States. The treaties forming the OAS legal and political infrastructure contain effective sanctions provisions with which to pressure recalcitrant nations.<sup>18</sup> If the November negotiations deadline had been set within the OAS framework instead of the Contadora Process, something could have been done after Nicaragua refused to sign.

In addition to availability of sanctions, there is another reason to move the peace talks to the OAS: the OAS itself has a direct responsibility for Nicaragua's internal situation because of its involvement in the downfall of the Somoza government and the Sandinista rise to power.

In June, 1979, the 17th Meeting of the OAS Consultation of the Ministers of Foreign Affairs convened to consider the internal situation in Nicaragua. At the time, Anastasio Somoza Debayle was still in power in Managua, but increasingly was being pressured by the so-called Broad Opposition Front (FAO), which included moderate businessmen opposed to continued Somoza rule and to the communist Sandinistas. On June 23, by a vote of 17 to 2 (with 5 abstentions), the OAS stripped the Somoza regime of its recognition as the legitimate government of Nicaragua; in its place, the OAS recognized the Government of National Reconstruction, made up of members of the FAO and controlled by the Sandinistas.

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18. These sanctions include: recall of chiefs of diplomatic missions; breaking of diplomatic relations; partial or complete interruption of economic relations or of rail, air, postal, telegraphic, telephonic, and radiotelephone or radiotelegraphic communications; and use of armed forces.

That junta then sent a letter to the Secretary-General of the OAS, promising to respect human rights, establish civil justice, and hold free elections.

Never before had the OAS taken such drastic action. Its effect was immediate: within one month, convinced that no one would support him any longer, Somoza gave up the fight against the Sandinistas. On July 19, they took power in Managua. Thus, the OAS is partly responsible for bringing the Sandinistas to power in Nicaragua and legitimizing their rule.

What is intriguing is that the 17th Meeting of Consultation of the Ministers of Foreign Affairs was never officially adjourned; it merely recessed. This was done to allow OAS nations to have a legitimate instrument to monitor internal developments in Nicaragua. Indeed, Violetta Barrios de Chamorro--one of the members of the original junta that replaced Somoza--wrote a letter in August 1985 to the OAS Secretary-General, proposing that "the OAS demand that the Nicaraguan government fulfill its previous pledge."<sup>19</sup>

#### CONCLUSION

The facts are clear: the Contadora Process has had no effect on the behavior of the Sandinista regime. It has not checked the Sandinista military buildup. It has not checked the Sandinista repression of Nicaraguan political and community life. It has not checked Sandinista support for the subversion of Nicaragua's neighbors. Nor has it checked the growth of the relationship between the Sandinistas and the Soviet Union and Cuba.

For the first 18 months after the Nicaraguan revolution, no country was more of a friend to the Sandinistas than the United States. Washington provided five times more aid to the Sandinistas in the first two years after the revolution than it had provided Somoza in the previous two years. Yet the Sandinistas launched a massive military buildup, imported thousands of Soviet bloc military and security advisers, set up a government modelled after Castro's Cuba, and began to subvert their neighbors.

The only reason the Sandinistas have moderated their policies at all is due to the military pressure put on them by the democratic resistance forces. This was admitted by FSLN commander of the revolution Bayardo Arce in a secret speech to the Nicaraguan Socialist

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19. "La Prensa's Chamorro Urges OAS Action of FSLN," EBIS, Latin America, August 27, 1985, p. P14.

erty. He commented that the only reason the Sandinistas wanted to hold the elections they did in November 1984 was to remove a justification for U.S. pressure; absent such pressure, he said, "the electoral problem would be totally out of place in terms of its usefulness."<sup>20</sup>

Diplomacy without military pressure backing it up almost always has failed. That is the lesson of world history. That is why the Contadora Process at the very best should have been seen as an adjunct to, not a substitute for, a self-directed, self-confident U.S. policy toward Nicaragua. Today, of course, Contadora negotiations appear with little hope and less value. In their place, the OAS offers a better diplomatic forum. It is an appropriate and legitimate venue. It would allow the U.S. to participate. Other Central American states too could be included.

After three years of ups and downs in the negotiations, it is clear that the Contadora Process has achieved all that it is going to--essentially nothing. For peace to be achieved in Central America, pressure must be applied to the Nicaraguan communist regime. This pressure must be military as well as diplomatic: it must include U.S. support for the Nicaraguan democratic resistance, as well as a sustained effort through the OAS. But do the nations of the Western Hemisphere have the will to accept responsibility for the actions they took in helping bring to power the Sandinista regime in 1979? And does the U.S. Congress have the will to take the actions necessary to bring democracy to Nicaragua?

William W. Pascoe, III  
Policy Analyst

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20. Bayardo Arce, "Comandante Bayardo Arce's Secret Speech Before the Nicaraguan Socialist Party," U.S. Department of State, March 1985, p. 4.

Mr. SILJANDER. And so, Mr. Chairman, I think it's pretty obvious: do we support the efforts and fights for freedom, or do we allow a Soviet colony to continue to exercise its brutal authority in our own backyard?

Chairman FASCELL. I thank the gentleman. I want to thank all members of the committee for the level of this debate.

Do you want to speak?

Mr. BURTON. Yes, I'd like to add just a comment or two, Mr. Chairman.

Chairman FASCELL. Mr. Burton.

Mr. BURTON. Thank you, Mr. Chairman.

One of the things that I'm concerned about is something that we haven't touched on yet today and that is what impact this is going to have on us down the road as far as the children of Nicaragua are concerned.

You know, I've heard a lot of my colleagues talk about Vietnam and trying to make a comparison between what happened in Vietnam and Nicaragua, but one thing they always overlook is what happened there as respects the commitment of the Communist Vietnamese and how they got to that point. General Weyend, our last commanding general in Vietnam was asked why did the North Vietnamese lose 1 million men while we lost 55,000 and our allies, the South Vietnamese only lost 55,000; they lost 10 times as many and yet they kept coming.

And General Weyend said, and I'm quoting him pretty close to exactly what he said, he said, I think it was because of "early ideological indoctrination." They took text books and they showed children how to add and subtract using imperialist soldiers saying if you had six imperial soldiers and three were shot and killed, how many would be left.

If you had six hand grenades and you used three to kill the enemy, how many would be left. Now, every time the Communists take over a country, they send in the teachers first. Now, this revolution was successful in 1979, and then systematically, the Communists Sandinistas pushed out everybody else and took control, and they brought in the Communist teachers.

Now, I've talked about this before but nobody pays much attention. But this is what they are teaching the kids in Nicaragua. Now, if we don't deal with the problem today, our children are going to be facing these kids who are going to be so committed because of this indoctrination that they will not quit, and the loss of life will be unbelievable on both sides.

This need not happen. The people who are fighting for freedom in Nicaragua want their kids to be taught freedom. They want them to be able to participate in a democracy where they can vote. They don't want their kids taught how to kill and how to add and subtract using those things as examples.

And they've had 6 years, 7 years now to indoctrinate these young people. We may have lost a large part of one generation already, and the longer we procrastinate, the more difficult the situation is going to be in the future, because these people are becoming hardcore committed Communists who believe in only one thing, revolution.

And I think that's something my colleagues that we ought to take into consideration. We can quote Mr. Arce, we can quote Mr. Borge, we can quote Mr. Ortega, we can go on and on and on, but I think all of us know the issues and the arguments on both sides.

But I hope you'll consider, before you vote, on the March 19 and before this House, what they're teaching those kids down there and what we're going to have to be involved in at some point in the future in defeating people who are indoctrinated in this manner.

I yield to my colleague, Mr. Hyde.

Mr. HYDE. If I could just for 15 or 20 seconds, Mr. Chairman. In commenting briefly on my friend, Mr. Studds, whose statements are always interesting and filled with interesting quotations, he quoted Churchill in support of what I concede to be a neoisolationism which is a considerable accomplishment and I salute Mr. Studds, but he also quoted Lewis Carroll, and he said that this has been a policy of ours to help the Contras that has been tried and found wanting.

I should like to simply respond to that with a quotation from Chesterton about Christianity, and he said, "It hasn't been tried and found wanting; it has been found difficult and not tried."

Thank you.

Mr. STUDDS. Will the gentleman concede that on the way to the floor that I was the only one in the elevator able to identify for him his quotation of consistency being the hobgoblin of small minds?

Mr. HYDE. Yes, but you did not tell me who said, "when he speaks of amnesty, I count the spoons."

Mr. STUDDS. I think it was Bismarck.

Chairman FASCELL. Mr. Bonker.

Mr. BONKER. Mr. Chairman, I shall not prolong the debate. I think we've all heard various views. But I would just like to add two points before we conclude. One concerns the Contras human rights activities, and how that might square with the human rights abuses of the Sandinistas. I have here a copy of the Americas Watch Report which is a reputable human rights organization that keeps track of human rights violations in various countries.

With respect to the Sandinistas, they report that the Permanent Commission on Human Rights has collected complaints—Mr. Chairman, may I have order?

The Permanent Commission on Human Rights, plus the documentation that's been put forth by Americas Watch, indicate that the Nicaraguan Government must be held accountable for about 1 dozen disappearances and killings out of combat during 1985. The same report goes on to say that the Contras, the abuses by the Contras on which the Americas Watch obtained testimony in connection with our work on this report, involved some 50 killings and disappearances in the last half of 1985.

Americas Watch has collected testimony on some 90 murders and disappearances that they committed during 1985.

Mr. Chairman, I would submit that if the Contras were indeed in power in Nicaragua today, and represented the head of government, that they would be guilty of gross violations of internationally recognized human rights, and thereby would be eligible for a

cutoff of U.S. funds both economic and security, pursuant to section 502[B] of the Foreign Assistance Act.

So I think it's rather shameful that this Government would ask for \$100 million to support a paramilitary operation that does not exemplify the same values and high standards we have for treatment of human beings.

Mr. Chairman, I'd also like to note that the \$100 million that we are being asked to approve, while it involves a mere transfer of funds within the Department of Defense, we should be conscious of what we are doing. Just today, in this afternoon, we have voted \$250 million over a period of time for Ireland; we have voted for close to \$5 billion for the antiterrorism bill that cleared the committee, and now we're being asked for another \$100 million to support the Contras.

I think our friends who have fully supported Gramm-Rudman and who are concerned about the deficit reduction ought to feel a little awkward about the large sums of money that are not previously committed to be going for these new adventures. I would hope that we could apply some of this budget reduction on foreign policy adventures as well as we are cutting domestic programs at home.

Chairman FASCELL. I want to thank the members of the committee for this very serious discussion on this matter. Let me just add my own thoughts. There are no absolutes in this very difficult policy decision on the part of the United States. And I agree with my colleague from Florida who spoke earlier when he pointed out that, regardless which way the vote goes on the House floor, if its a close vote, it really doesn't establish anything one way or the other.

And that's unfortunate. To sustain any kind of a foreign policy by this country, we need a broadbased concensus and we need a long-term commitment. There's no doubt about that in my mind.

Now, I want to address the matter that has troubled me, and is the reason why I shall support the resolution. In the previous administration, I was one of the leaders who undertook to establish better relations with the new government in Nicaragua. This was necessary due to our misguided policy over a long period of time toward that country. We tried very hard to bring about a peaceful resolution to the problem of changing the dictatorship there into a democratic government. In order to indicate the good will of the United States in an effort to establish a good relationship with the new government there, we undertook a major program of assistance to the new government in Nicaragua.

As part of that, of course, many of us traveled to Nicaragua and came back. For my part, I talked to all of the members of that directorate, all the members of the junta, and many of the cabinet officials, as many others have. We were encouraged by those forces and those individuals who had led and fought in the struggle against Somoza to establish this new relationship with the Sandinista government.

They felt confident that, as part of the group that had undertaken the overthrow of Somoza, they could establish a democratic regime—bring about economic development and bring about a democratic process in Nicaragua.

And so we went ahead with that program. And it was not easy to pass in the Congress. I might tell you that we had quite a struggle, as you know. We tried. The money went forward. Then, because of a change in the attitude of the Sandinista Government, that program of U.S. assistance was terminated. The hand of friendship which we extended was rejected.

And it was rejected by a government whose actions amounted to a complete subversion of the revolution that existed at that time. The very forces that encouraged us to join in a new relationship with the Sandinista government wound up urging us not to continue our efforts for reconciliation with that government.

As a matter of fact, the leaders in the Contra forces right now, Robelo, Cruz, Calero, were all part of the revolution. As a matter of fact, Robelo and Cruz were part of the Sandinista government. They, along with other moderates and who were working toward establishing a true democracy in Nicaragua, were forced out. They had absolutely no choice and no say of what was going on, and there was a clear consolidation of power and authority according to one handbook and that, unfortunately, was an ideological handbook.

And that's true of every single member of the directorate and of the junta and other high ranking officials in that government. And they just turned their backs on every effort on our part to establish better relations.

Pastora, who led the fight against Somoza for years and years in the jungle as a ragtag outfit, wound up being part of the Sandinista revolution, a very important part. He was rejected and thrown aside and he's now with the Contras, although we're not giving him the support that we should be giving him, frankly.

And so I'm convinced beyond any question that unless we follow a two-track approach, that is, a diplomatic effort along the lines of Contadora, as well as aiding the Contras, we'll never have any influence and we'll never bring about a democratic process in Nicaragua because the Sandinista government's not interested in that.

I think it is very essential for the Latin American countries who are involved in the Contadora process to do everything they know how to do in order to bring about a diplomatic resolution of this matter.

But in the meantime, I'm also convinced that if we don't make the Contras a reliable force for consideration in the diplomatic process, that we will never get anywhere.

Having said that, I have no illusions about the fact that, whatever we do in this country, unless it is supported by a broadbased consensus that the American people can understand and support, I doubt that we'll have much success.

But I've come to the conclusion, ultimately, that I must support this resolution because I believe without it, we'll never get a chance for a diplomatic solution.

Chairman FASCELL. Mr. Broomfield?

Mr. BROOMFIELD. Mr. Chairman, before I put a motion, I am sure I speak on behalf of members on both sides in saying we certainly appreciate the way that you have conducted this hearing.

I know that members feel—and I do, too—very deeply about this subject. I want to concur in your comments regarding how this could be worked out and the emphasis is where we have to put it.

But I think it has been a very useful debate today. Now, I think it is time to lower the rhetoric and start moving on, and I hope that within 2 weeks, we will have a clear understanding of what is at stake and that we can have a vote up or down.

At this time, on behalf of the administration, it is my pleasure to make the recommendation that House Joint Resolution 540 be reported out favorably.

Chairman FASCELL. All right, the motion has been made, and the clerk will call the roll.

Mr. BRADY. Mr. Fascell?

Chairman FASCELL. Aye.

Mr. BRADY. Mr. Hamilton?

Mr. HAMILTON. No.

Mr. BRADY. Mr. Yatron?

Mr. YATRON. No.

Mr. BRADY. Mr. Solarz?

Mr. HAMILTON. Mr. Solarz votes no by proxy.

Mr. BRADY. Mr. Bonker?

Mr. BONKER. No.

Mr. BRADY. Mr. Studds?

Mr. STUDDS. No.

Mr. BRADY. Mr. Mica?

Mr. MICA. Aye.

Mr. BRADY. Mr. Barnes?

Mr. BARNES. No.

Mr. BRADY. Mr. Wolpe?

Mr. WOLPE. No.

Mr. BRADY. Mr. Crockett?

Mr. HAMILTON. Mr. Crockett votes no by proxy.

Mr. BRADY. Mr. Gejdenson?

Mr. GEJDENSON. No.

Mr. BRADY. Mr. Dymally?

Mr. DYMALLY. No.

Mr. BRADY. Mr. Lantos? [No response.]

Mr. BRADY. Mr. Kostmayer?

Mr. KOSTMAYER. No.

Mr. BRADY. Mr. Torricelli?

Mr. TORRICELLI. No.

Mr. BRADY. Mr. Smith?

Mr. SMITH of Florida. Aye.

Mr. BRADY. Mr. Berman?

Mr. BERMAN. No.

Mr. BRADY. Mr. Reid?

Mr. HAMILTON. Mr. Reid votes no by proxy.

Mr. BRADY. Mr. Levine?

Mr. HAMILTON. Mr. Levine votes no by proxy.

Mr. BRADY. Mr. Feighan?

Mr. FEIGHAN. No.

Mr. BRADY. Mr. Weiss?

Mr. WEISS. No.

Mr. BRADY. Mr. Ackerman?



Mr. HAMILTON. Mr. Ackerman votes no by proxy.  
 Mr. BRADY. Mr. MacKay?  
 Mr. MACKAY. No.  
 Mr. BRADY. Mr. Udall?  
 Mr. UDALL. No.  
 Mr. BRADY. Mr. Garcia?  
 Mr. GARCIA. No.  
 Mr. BRADY. Mr. Broomfield?  
 Mr. BROOMFIELD. Aye.  
 Mr. BRADY. Mr. Gilman?  
 Mr. GILMAN. Aye.  
 Mr. BRADY. Mr. Lagomarsino?  
 Mr. LAGOMARSINO. Aye.  
 Mr. BRADY. Mr. Leach?  
 Mr. LEACH. No.  
 Mr. BRADY. Mr. Roth?  
 Mr. BROOMFIELD. Mr. Roth votes aye by proxy.  
 Mr. BRADY. Ms. Snowe?  
 Ms. SNOWE. No.  
 Mr. BRADY. Mr. Hyde?  
 Mr. HYDE. Yes.  
 Mr. BRADY. Mr. Solomon?  
 Mr. SOLOMON. Yes.  
 Mr. BRADY. Mr. Bereuter?  
 Mr. BEREUTER. Aye.  
 Mr. BRADY. Mr. Siljander?  
 Mr. SILJANDER. Yes.  
 Mr. BRADY. Mr. Zschau?  
 Mr. BROOMFIELD. Mr. Zschau votes aye by proxy.  
 Mr. BRADY. Mr. Dornan?  
 Mr. DORNAN. Aye.  
 Mr. BRADY. Mr. Smith?  
 Mr. SMITH. of New Jersey. Aye.  
 Mr. BRADY. Mr. Mack?  
 Mr. MACK. Aye.  
 Mr. BRADY. Mr. DeWine?  
 Mr. BROOMFIELD. Mr. DeWine votes aye by proxy.  
 Mr. BRADY. Mr. Burton?  
 Mr. BURTON. Aye.  
 Mr. BRADY. Mr. McCain?  
 Mr. MCCAIN. Aye.  
 Mr. BRADY. On this vote, the ayes were 18; the nays were 23.  
 Mr. BROOMFIELD. Mr. Chairman?  
 Chairman FASCELL. So, the motion fails.  
 Mr. BROOMFIELD. Mr. Chairman, I would like to request the 3-day privilege for minority views to be filed.  
 Chairman FASCELL. Well, we are not through yet, but certainly you are entitled to that under the rules.  
 Mr. BARNES. Mr. Chairman?  
 Chairman FASCELL. Mr. Barnes.  
 Mr. BARNES. Mr. Chairman, I move that the committee report the House Joint Resolution 540 unfavorably.  
 Chairman FASCELL. The question is on the motion. Those in favor signify by saying "aye."

[A chorus of ayes.]

Chairman FASCELL. All those opposed, "no."

[A chorus of noes.]

Chairman FASCELL. The ayes have it, and the motion is agreed to, and the minority will have 3 days to file dissenting views. I would hope that you would get your remarks in by 5 o'clock on Monday.

The committee stands adjourned.

[Whereupon, at 5:25 p.m., the committee was adjourned.]

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**INVESTIGATION OF UNITED STATES ASSISTANCE  
TO THE NICARAGUAN CONTRAS  
(Volume II),**

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**HEARINGS AND MARKUP  
BEFORE THE  
COMMITTEE ON FOREIGN AFFAIRS,  
AND ITS  
SUBCOMMITTEE ON  
WESTERN HEMISPHERE AFFAIRS  
HOUSE OF REPRESENTATIVES  
NINETY-NINTH CONGRESS  
SECOND SESSION  
ON  
H. Res. 395**

**APRIL 9; MAY 1, 8; JUNE 11, 1986**

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# INVESTIGATION OF UNITED STATES ASSISTANCE TO THE NICARAGUAN CONTRAS

## Consideration of House Resolution 395

WEDNESDAY, APRIL 9, 1986

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,  
*Washington, DC.*

The subcommittee met at 2 p.m. in room 2175, Rayburn House Office Building, Hon. Michael D. Barnes (chairman of the subcommittee) presiding.

Mr. BARNES. Ladies and gentlemen, the Subcommittee on Western Hemisphere Affairs will come to order.

We meet this afternoon to consider House Resolution 395, a resolution of inquiry directing the President of the United States to provide certain documents to the House of Representatives concerning the use of the \$27 million appropriated for humanitarian assistance for the Nicaraguan democratic resistance.

Before we consider the resolution, we are pleased to hear from our colleague from California, Mr. Panetta, the sponsor of the resolution.

Mr. Panetta, we welcome you to the subcommittee, and look forward to hearing your comments in support of the resolution which you have introduced along with a number of us in the House.

Welcome.

### STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear before this subcommittee with regard to my resolution of inquiry.

I am glad to have this opportunity, and I obviously share the subcommittee's desire to move on this issue as quickly as possible.

#### WHAT HAPPENED TO THE MONEY?

Basically, there are two issues here: No. 1 is the question of what has happened to the money that was appropriated last year for aid to the Contras.

And the second question regards what our aid is, in fact, being used for.

Last year, as all of you know, Congress provided \$27 million in nonlethal aid to the Contras. This money was only supposed to be

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used for so-called "humanitarian" purposes, and the President was instructed by law to establish procedures to make sure that none of this money was used for lethal purposes.

I will quote from the law itself:

The President shall establish appropriate procedures to ensure that any humanitarian assistance provided by the United States Government to the Nicaraguan democratic resistance is used only for the intended purpose and is not diverted for acquisition of weapons, weapons systems, ammunition, or other equipment, vehicles, or material which can be used to inflict serious bodily harm or death.

About 1 month ago, this subcommittee heard testimony from a GAO representative that \$12.2 million of this appropriation had been spent. Of this total, \$7.1 million had been spent outside of the United States in Central America.

Although there was clearly adequate documentation detailing and tracing those expenditures made inside the United States, the same could not be said about the bulk of the expenditures, which were made inside Central America itself.

According to the GAO, there was—and I quote:

\* \* \* no audit trail showing payments from the brokers' accounts to suppliers and only partial documentation of the shipments from the suppliers to the resistant forces.

So the answer to the first question—where has our money gone—is that, with regard, at least to the \$7.1 million, we do not know.

The GAO says that it cannot trace the \$7.1 million that was placed in a Miami bank and cannot verify whether the money was used to purchase aid for the Contras.

There is some indication, indeed, that there were cash payments made out of the Miami bank account, and those obviously become much more difficult to trace, once that money is commingled.

There is no way of knowing if, in fact, the money was commingled with funds from other sources, meaning that our aid money could have been used to buy guns and ammunition instead of medicine and clothing.

Based on the GAO testimony, we have no way of knowing for sure that our "humanitarian" aid was not used for lethal purposes.

#### END USE OF THE PROCURED ITEMS

But what about the second issue addressed by the resolution of inquiry—the end use of the procured items?

The GAO has testified that the administration has not set up the procedures and controls which would allow it to provide a guarantee that our aid is not being traded, bartered, or exchanged for lethal equipment and supplies.

The administration has failed to set up these procedures and controls, despite the fact that the law clearly required them. The result is that the answer to the second question—how is our aid being used—is that, with regard to the \$7.1 million, we do not know.

It is for these reasons that I introduced House Resolution 395, which is before you. The resolution directs the President to provide the Congress with all available information that traces the expenditure of funds under the \$27 million appropriation and to provide

all information regarding the end use of the items U.S. aid money has procured.

I am pleased to have the support of the chairman as well as others in the House on this issue.

Mr. Chairman, there would have been no need for me to introduce this resolution if, in fact, the administration had been above-board in this matter. We are, after all, talking about an overt aid program; we are not talking about a covert aid program.

And, yet, the GAO has told me, as it has told this subcommittee, that the administration has denied access to certain intelligence documents which would allow the GAO to conduct a thorough audit of this overt aid program. Information available from intelligence sources through the CIA was denied on the basis that it was classified information.

#### GAO REQUESTS TO DO SPOT CHECKS IN THE REGION WERE DENIED

If this is an overt aid program, then why all the secrecy? The GAO has repeatedly asked for information on this aid program and has been turned down. Requests to make spot checks in the region itself to check on the actual receipt of aid items and to record the end use of the procured items were denied.

The CIA was allowed to make these spot checks, but the information gathered was not available to the GAO. The subcommittee's own requests for access to information have been ignored. It was not until late last night—and, indeed, today—that the State Department has contacted myself and others to ask whether a meeting with the Nicaraguan Humanitarian Assistance Office would help clear up my concerns.

Even then, however—and I would also address your attention to the letter that the State Department is now circulating—the State Department insists that all of the information my resolution seeks is available to either the GAO or to the House Intelligence Committee.

But this statement is refuted by the GAO's own previous testimony and by the fact that the chairman of the House Permanent Select Committee on Intelligence, Lee Hamilton, has told me that he has enough doubts to warrant proceeding with my resolution of inquiry.

And so, my questions remain. Where is the money going? And what is our aid being used for?

We cannot get the answers to these questions as long as the administration says out of one side of its mouth that this is an overt program, but out of the other side that we cannot have access to certain information regarding the program.

#### THE ISSUE IS ACCOUNTABILITY OF TAXPAYER FUNDS

The issue here—let me restate, very clearly—is not whether one is for or against aid to the Contras. The issue is simple accountability as to how taxpayers' funds are being spent. We would apply the same accountability to any other program, whether it is in education, job training, day care centers, agriculture—where we could not track 60 percent of the funding. That is the same standard we

apply on other spending programs. All I am asking is that we apply the same standard here.

If additional funds are made available to the Contras, then surely it should be done in compliance with the law. Let us see where this money is going, and let us truly have an overt program.

We are asking for access to information that should be public knowledge, and we should have this information before we consider appropriating any additional funds for the Contras.

That is the brunt of the issue, Mr. Chairman. As I said earlier, I am pleased to have your support. I appreciate the subcommittee's expediency, and I would be happy to answer any questions.

Mr. HYDE. Mr. Chairman, I think we have heard enough. Let's vote this up or down.

Mr. BARNES. Well, I appreciate the gentleman from Illinois' desire for expeditious consideration of the matter before us, but there may be some of our colleagues who have some questions for our colleague from California.

Leon, I want to say that I appreciate your leadership on this. It is a little bit embarrassing to be the chairman of a subcommittee that should have oversight of a program and when my colleagues stop me on the floor or elsewhere and say, "What happened to the \$27 million that we sent last year? What was it spent for?" I have to respond: "I don't know. I can't tell you. We've asked the General Accounting Office to do its job as the congressional accounting arm, to track the funds and tell us exactly where the money went."

It is, as you say, an overt program, not a covert program. It should be very easy for the General Accounting Office to look at the receipts and do the routine job that they do so well, but, as you have said, and as the members of the subcommittee know, they came before us and told us that they had endeavored to provide an accounting of the funds and the expenditures and were unable to do so.

#### ADMINISTRATION HAS NOT ESTABLISHED APPROPRIATE PROCEDURES

They specifically testified that the administration had not, as required by law, established the appropriate procedures to ensure that any humanitarian assistance provided by the U.S. Government to the Nicaraguan democratic resistance is used only for the intended purposes, and is not diverted.

They testified that no such mechanism, no such procedures had been established, and those procedures were not simply "niceties." That was a requirement in the law that was put in there as part of a carefully crafted compromise that was necessary in order to get the Congress to approve the expenditure of the \$27 million.

So, as I say, I think at this point, the only answer for this subcommittee, and for the Congress generally, if we are going to know where the \$27 million went, is your resolution of inquiry, to assure—and I would think the General Accounting Office again can get access to the necessary information to find out what, in fact, happened to the money.

I do not know if there has been any misappropriation of the funds. I do not know if there has been any diversion of the funds. There have been allegations of such misappropriation and diver-

sion. I do not know if they are true. I have got in front of me here an article from the Boston Globe, dated April 2; an article from the Baltimore Sun dated April 8; and an Associated Press wire story, all of which include allegations of mishandling of the \$27 million and other actions—the term “corruption” is used in these articles.

I do not know if any of that is true. And that is a bit unusual for a subcommittee that has oversight responsibility to be in a position of saying “We don’t know, and we’re not able to find out. And we asked the General Accounting Office to find out, and they came before us and testified that they were not able to do so, that they were prohibited from doing so.”

So, I think your resolution of inquiry is necessary. We have now received a letter from the assistant to the president, William L. Ball, III. The letter was addressed to the distinguished chairman of our committee, Mr. Fascell, indicating that the committee will be provided at some point access to documents; but we do not have them yet.

And the letter seems to indicate that the documents that we will receive will be the same ones that GAO used to prepare its report to us; and obviously they were not able, using those documents, to complete the audit; they were not able to tell us where all the money went.

So, if that, in fact, is the case, then all they are going to provide us is access to the same documents the GAO used, I would think that would not be responsive to your inquiry, but we will see when we have access to the documents. We will see what, in fact, is provided.

I do not have any questions for you. Again, I simply would say that I think what you are proposing is necessary; and, as you say, this is not really an issue of whether you support aid to the Contras. You could be—I am not—but you could be a 100 percent supporter of aid to the Contras and still want to assure that the money is being spent carefully, and that it is not being diverted and that there is no corruption in the program.

I am a 100 percent supporter of the school lunch program, but that would not make me reticent to support actions to assure that all of the funds that the Congress authorizes and appropriates for school lunches, in fact, are used for that purpose.

If we were unable to determine where all of the money that was appropriated for school lunches went, I would vote for a resolution of inquiry to call upon the administration to provide us with the data to assure Members of Congress and the American people that the money authorized and appropriated for school lunches was, in fact, being used to feed hungry children.

Similarly, I would assume that Members of Congress who support aid to the Contras will want to be confident that the money that has been authorized and appropriated to assist the Contras is, in fact, being used for that purpose and is not being diverted or that some of these allegations suggest that there is not corruption in the program.

Mr. BARNES. At this point I would see if any of my colleagues have questions of you before we consider the resolution.

Mr. HYDE. Mr. Chairman, I do.

Mr. BARNES. Mr. Hyde.

Mr. HYDE. Thank you, Mr. Chairman.

Mr. Panetta, I am delighted that you thought of this resolution of inquiry.

If it is so necessary, and Mr. Barnes was so embarrassed by being unable to answer it, I am surprised he did not think of it; but fortunately you, a member of the Budget Committee, did.

And I am also surprised that Lee Hamilton, the chairman of the House Permanent Select Committee on Intelligence, did not think of it; but Leon Panetta did, and I sleep better in the evenings knowing that you are a watchdog on these things.

Now, you said "if this is an overt——"

Mr. PANETTA. I take that as a real compliment.

Mr. HYDE. I really mean it. From the bottom of my heart.

You said this is an "overt program, why all the secrecy?" I am going to give you one word: "Honduras." Honduras. That is the reason why.

They really do not want to be involved in being a staging point for getting materials into Nicaragua—I should not have to explain this to you, but evidently it has to be done.

Shoveling material into an insurgency inside Nicaragua would be frowned upon by the Sandinistas. They would not take kindly to this act of nonneutrality on the part of their neighbor, Honduras. They are very sensitive.

Now, I do not know if that is going on. I am speculating, but that occurs to me as one reason why this is not on the table as perhaps we all would like it.

Now, we have an overt program in Afghanistan, of humanitarian aid, to the Mujahideen, \$15 million, overt. We have great difficulty tracing where that money went, and making sure that the Mujahideen are not getting knives or rocks or whatever it is they get to throw at the Hind helicopters that are shooting them up.

As a matter of fact, the conference report to accompany S. 960, 99th Congress, 1st Session, in talking about the 15 million in development assistance for humanitarian assistance to the Afghan people recognizes the difficulties with Pakistan, which does not want to really be at war with Russia, having a problem.

And here is what we said, you and I and everybody who adopted this:

The conferees recognize that that nature of the assistance to be provided requires some degree of flexibility in the application of standard audit procedures and requirements.

Now, moving—just a minute—now, moving to Cambodia, we have an overt program there; and we have the same situation because Thailand is a little sensitive, does not really want to be at war with Vietnam yet. And we have the same language.

The conferees agree that the nature of the assistance to be provided requires some degree of flexibility in the application of standard audit procedures and requirements.

Now, we have gone down to the Contras and we have said we will give you some beans and some bandages and some boots, but the CIA cannot go down there, the Department of Defense cannot go down there—no agency of Government that has an intelligence capacity can handle this. So we had to set up a new bureau of

State Department people and we somehow are not willing to give them the same degree of flexibility we give to the GAO in Afghanistan or in Cambodia.

I suggest that perhaps, unconsciously, there is some hostility toward helping the Contras down there on the part of some Members of Congress of the opposite party, and that this effort here, especially in the face of the White House's letter, which says:

We would be ready to make copies available for temporary retention by the committee in an appropriate secure facility, all the documents requested by this resolution.

So, I would suggest we take them up on their offer, and take a look at them, being sensitive to the nuances of the countries down there that do not want to go to war with Nicaragua quite yet.

Would you want to comment on my commentary, Mr. Panetta?

Mr. PANETTA. Mr. Hyde, you are full of sensitivities, and I appreciate the sensitivities that you have mentioned. I think we also appreciate the sensitivity of wanting to know how taxpayers' money is used.

We put that provision in the law. The GAO, which is the accounting office for Congress, has basically told us that those established procedures do not account for how this money is spent. I would think it would be in the interest of those that support aid to the Contras, as well as in the interest of all taxpayers to know exactly how that money is being used. We are not talking about sensitive weapons systems. We are talking about humanitarian aid; and it seems to me, in that context, that everybody is entitled to know exactly how those funds are being spent. And that is all I am asking for.

Mr. HYDE. Would you be willing to have every document that is requested by House Resolution 395 provided to the House Permanent Select Committee on Intelligence, which is a 10 to 6 committee dominated by the majority party, chaired by Lee Hamilton?

Would that satisfy you?

Mr. PANETTA. I would like to have this committee have access to the documents as well, because my resolution of inquiry is being considered by this committee. It seems to me that it would be appropriate for this committee, the GAO, and the Intelligence Committee to have the opportunity to review these documents.

Mr. HYDE. All right, and, last, I thank the indulgence of the chair. You do not have any conceptual problem with conferring the same degree of flexibility in the application of standard audit procedures and requirements to Nicaragua that we have to Afghanistan and Cambodia? Or do you have some problem with that?

Mr. PANETTA. Mr. Hyde, whether we are spending \$15 million in Afghanistan or so many million someplace else——

Mr. HYDE. \$5 million overt in Kampuchea.

Mr. PANETTA. Whatever it is, it just seems to me that in all of those instances we ought to have an accurate accounting of how that money is being spent.

Mr. HYDE. I am not disagreeing with you.

Mr. PANETTA. I cannot go back to the people in my district and say we are providing——

Mr. HYDE. I cannot agree with you, but I disagree that it should be outside the Intelligence Committee, because some of this material is sensitive. It embarrasses countries that are cooperating with us, and I would hope that you would respect that.

Mr. PANETTA. Mr. Hyde, I would not be here if Lee Hamilton said to me that the information that is before his committee is sufficient to justify how these funds are being spent. He has told me exactly the opposite, and that is the reason I am here.

Thank you, Mr. Chairman.

Mr. BARNES. OK.

Mr. McCain.

Mr. McCAIN. Thank you.

I would just like to make a couple of points here if I could, Mr. Chairman, concerning the GAO testimony, not only the written statement that was read by Mr. Conahan, but I thought it was of some interest that Mr. Conahan, when asked, stated that he had asked the State Department to comment on his report, and I believe that is a matter of record that you and I went over.

He said, "Yes, the State Department has been allowed to comment."

#### SENSITIVITIES IN THE REGION

The State Department witness who followed him immediately said that they had not been allowed to comment except on the sensitivity and classification of what the GAO had addressed, which seems to me that—I think the GAO has a great deal to answer for if they are going to make a statement which is immediately contradicted by the witnesses that followed them.

I think it is also important that Mr. Conahan stated upon, when I asked about what the State Department was doing, and I quote him:

He said: "The State Department has 'done about as much as it can.'"

And the reason why he said that is because, given the sensitivities of the countries in the region; and I quote him again:

Initially, the State Department's Nicaraguan Humanitarian Assistance Office, which is charged with the program's administration, had intended to set up operations in the region, but diplomatic sensitivities in the region prevented NHAO from doing so.

And that was his statement, and he did not disagree with that.

I also asked him if, would it be easier to track the supplies were the program covert rather than overt.

In response, Mr. Conahan stated, and again I quote:

As I understand covert programs, I believe that we might be able to put into place the kinds of mechanisms needed to ensure proper disbursement of funds.

What we are faced with here, Mr. Panetta, in my opinion, is a situation where we are trying to carry out an operation which our neighbors—in this case, Honduras, but also Thailand and Pakistan; and I know personally about Thailand and Pakistan—have asked for us to keep as quiet as possible because of the reaction of their neighbors, for obvious reasons.



If the Vietnamese are convinced that there is a program that they are funneling help to people that they are fighting, I can understand why they might respond.

In the same case, Pakistan is very worried about their relations with the Soviet Union.

At Mr. Chernenko's funeral, Mr. Gorbachev took time to berate President Zia of Pakistan for the aid that he was providing to the Afghan freedom fighters, and I can understand why Mr. Zia might be very uncomfortable given his geographic situation.

So, I would suggest that possibly the answer here is, No. 1 to go ahead and see if Mr. Hamilton and members of this committee who seek to, will be provided with the documents that are needed.

According to this letter from the White House, which is signed by Mr. Ball, it appears to me that they are making a commitment to do so.

I would suggest, Mr. Chairman, that we give them a day or so to see if that is, indeed, the case.

No. 2 is, I think, we have got to examine, in the future, as to whether this program should be covert or overt, because I think that all of us, when the will of the Congress was to provide this aid, wanted to carry it out in the most efficient way, not only as far as providing that assistance to the Contras, but also the most efficient expenditure of American tax dollars and avoid the waste and possible allegations that have been raised here.

So, I would be interested in your comments on that, Mr. Panetta.

Mr. PANETTA. I do not disagree with the issue of looking at the type of aid we are providing, but this was a clearly overt aid program at the time we passed it, and we put these precautions in the law.

If, in fact, we had built into this law the degree of flexibility that you mentioned, then I would not be here before you with this motion of inquiry.

But that kind of flexibility was not built into this issue; and, indeed, the comments about the sensitivity of the region and the need for secrecy in certain elements was not built into the law.

What I am seeing now is that we clearly required some very strong requirements, and now suddenly the sensitivities are being raised as an issue for not providing all of the information.

So, I think if we are going to address this kind of aid, let's be very clear about how we are going to do it.

Mr. McCAIN. I would just like to say in response to that, Mr. Panetta, I do not know of anyone on this—at least this side on the subcommittee that does not fully understand that the Government of Honduras wants as little publicity as possible given to anything we are doing down there for the reasons that Mr. Hyde stated; and, in addition to that, I think that it would be of the greatest importance that we do whatever we can in assisting them to keep that at a low visibility, and I do not believe that anyone on this committee appreciated more than we do that how unsettling the situation can be down there.

## PROTECTING HONDURAS

And I would hope that we would want to protect Honduras, particularly since the latest incursion of the Nicaraguan Army, we would want to protect them as much as we could from allegations of them being a conduit for aid to the Contras, even if it is a well-known fact.

So, I thank you for your testimony here before the committee today.

Thank you, Mr. Chairman.

Mr. BARNES. Mr. DeWine.

Mr. DEWINE. Mr. Panetta, let me ask a couple of questions here to clarify this resolution, if I could.

Is it my understanding that by this resolution you feel that these documents should be disclosed publicly?

Is that correct, or not?

Mr. PANETTA. I think they ought to be made available to this committee. They ought to be made available to the GAO.

Mr. DEWINE. Available to the GAO and available to the committee.

The letter that I have in front of me from the White House, I would just like to read two parts of it to you. I do not know whether you have it in front of you or not. The second paragraph:

With the exception of the intelligence reports discussed separately below, the documents requested by H. Res. 395 were made available to the GAO on a classified basis during its audit of the Nicaraguan Humanitarian Assistance Office, and remain available for examination on that basis by Members or authorized agents of the Congress.

Later on in the letter, they cover the other part:

With respect to intelligence reports falling within the scope of this resolution, these documents have been made available to the House Permanent Select Committee on Intelligence.

Why does that not satisfy the requirement? Is the White House wrong? Are they lying to us in this letter?

They are saying, basically, that the intelligence area has been covered and made available to the Intelligence Committee.

If the Intelligence Committee wanted more, if Representative Hamilton felt that he was not getting enough information, why did he not do something about it?

Mr. PANETTA. I think he is, in that he is basically supporting this resolution of inquiry.

Mr. DEWINE. Well——

Mr. PANETTA. I have asked Lee Hamilton directly that question: "Do you feel that you have sufficient information to basically track how this money was used?"

And the answer was: "No."

Mr. DEWINE. Well——

Mr. PANETTA. And he ought to know what he is talking about.

Mr. DEWINE. With all due respect, it would seem like he would be here today, first of all; and, second of all, I do not question your conversation with him. But, if he felt very strongly, I would think he would be here today.

I also think that, frankly, this is why we have an Intelligence Committee. I am not on the Intelligence Committee and with all due respect to this committee, I think there are some areas of sensitivity, and that is why this Congress created an Intelligence Committee.

It seems to me that that is the proper forum for that committee, and that that committee should be looking into this matter. If they are not satisfied, your party, as Mr. Hyde pointed out, controls that committee by a large margin. If they are not satisfied, they should be taking action.

It seems to me it is extremely dangerous, and I say the word "dangerous," understanding its implications—it is dangerous for people in Honduras or people who may be involved in this to pass a resolution like this that is going to make, and we know how the leaks work around this city; leaks exist—is going to make all the pertinent, original documents available to the world.

Mr. BARNES. Will the gentleman yield on that?

Mr. DEWINE. And I just think that is very, very dangerous.

Mr. BARNES. Will the gentleman yield on that?

Mr. DEWINE. Yes, I would yield.

Mr. BARNES. I understand the point the gentleman is making that the danger of sending a couple of GAO auditors to Honduras to track the expenditures might make it known that Honduras is, in fact—if they are—involved in assisting the Contras, and we are concerned about that; but we would not want to send our auditors down there to track where these funds are being expended to find out where the purchases are being made and what not.

That is the gentleman's concern or it is at least one of the gentleman's concerns about this resolution of inquiry?

Mr. DEWINE. That is one of my concerns; yes.

#### MILITARY PERSONNEL ALL OF HONDURAS WILL BE WORSE

Mr. BARNES. But, as I understand it, the gentleman is supporting a proposal by the administration that will send American military personnel and the CIA, Defense Department personnel, to Honduras for administration of a much larger program, some of which will be overt, some of which will be covert. I understand the gentleman's point of sensitivity about Honduras, and it is an awfully good argument against supporting the President's proposal for a \$100 million program. If what we are concerned about is embarrassing Honduras, we sure would not want to send a lot of American military personnel and other people down there to administer this program.

Mr. DEWINE. Well, Mr. Chairman——

Mr. BARNES [continuing]. Or it will be four times larger.

Mr. DEWINE. If I could reclaim my time?

Mr. BARNES. Sure.

Mr. DEWINE. My concern, frankly, is what you mention, but my real concern is when you are talking about the procurement and the transportation of material, we are talking about very sensitive matters that may not directly involve the U.S. personnel. I am not necessarily talking about the U.S. personnel. I do not know who is involved in this, but the people who are involved will have their

names disclosed. I would also point out, with all due respect to the GAO, that the press had the GAO report before I ever saw it, and before this committee ever saw it, and so I do not have a great deal of confidence that what the GAO is going to do is going to be "leak-proof." I think you may end up jeopardizing not only a program, but I think you may end up jeopardizing individuals who are cooperating with the United States. That has too often been our history in the last 15 or 20 years, that people that we try to rely on, their cover is blown, and their names are disclosed and the sources are disclosed, and they end up getting hurt or killed. That is my concern.

Mr. PANETTA. Mr. DeWine.

Mr. DEWINE. It was not directly related to what the chairman was talking about.

#### OVERT VERSUS COVERT PROGRAM FOR THE CONTRAS

Mr. PANETTA. Mr. DeWine, everything you have argued for supports a covert program. I mean, if, indeed, those sensitivities were there, and the concerns about Honduras, and the concerns—

Mr. DEWINE. Do you not think those sensitivities are there? You do not understand what is going on in Honduras apparently, or what is going on in Nicaragua.

Mr. PANETTA. I am not denying the sensitivities, but I am saying that we made an overt program here; and, by God, we ought to know where \$7.5 million went.

If it goes into a Miami account, we ought to know where that money went.

Mr. DEWINE. We ought to have enough confidence in Lee Hamilton and the Intelligence Committee to let them work on this matter. That is why we have the Intelligence Committee.

Mr. PANETTA. Then we should have made it a covert program.

Mr. DEWINE. If we are not going to let them do what they should do, if we are not going to let them do what they are supposed to do, why, we will abolish the committee.

Mr. PANETTA. This is an overt program, and it ought to be handled like an overt program.

Mr. DEWINE. What you would be telling this committee is that there is nothing in an overt program, under any circumstances, that would ever be kept so that it could not go to the general public information.

Is that what you are telling us, that there is nothing in an overt program that only the Intelligence Committee should deal with?

Mr. PANETTA. What I am concerned about is whether these dollars went for humanitarian aid or went for some other purpose that was not encompassed in the legislation; and that ought to be your concern as well as every other Member of the Congress.

Mr. DEWINE. Oh, it is my concern.

Mr. PANETTA. Good.

Mr. DEWINE. Are you stating that the White House is lying when they say:

With respect to intelligence reports falling within the scope of this resolution, these documents have been made available to the House Permanent Select Committee on Intelligence?

And further, at the beginning of the letter:

With the exception of the intelligence reports, the documents requested by this resolution were made available to the GAO on a classified basis?

The information has been provided.

Mr. PANETTA. Mr. DeWine, all I know is that our accountant is the General Accounting Office, and the GAO says that, based on the information it has, it cannot track how these funds were spent—period.

Mr. DEWINE. Well, I would again state that my confidence in the GAO, as far as their ability to keep a secret, is not very good. When I pick up a newspaper and read a GAO report in the newspaper before I ever see it as a U.S. Congressman, it gives me cause to believe that this is a matter better left directly to the Intelligence Committee, even though it is controlled by your party.

Mr. BARNES. The Chair recognizes the gentleman from Massachusetts.

Mr. STUDDS. Mr. Chairman, I do not have any desire to prolong this. Out of basic considerations of humanitarian assistance of our own, I think we should proceed; but I do want to observe that, thank God, someone around this town finds it difficult to keep secrets because the biggest secret of all would be still the case if the administration had its way, is what the hell is going on in Nicaragua.

That, for years, was under the guise of a so-called covert activity, and were it not for the press, we might still not know, those 9, or 10, or 12 of us who are not on the Intelligence Committee, that our Nation was involved in acts of war for the last several years.

I am very grateful that that secret was not kept. It ought not to have been secret in the first place. Let me also point out to the gentleman that the statute, which provided the so-called humanitarian assistance, which I did not vote for, but I believe the gentleman on the other side did, says—and I quote:

The President shall submit a report to the Congress ninety days after the date of enactment of this Act, and every ninety days thereafter; and each such report shall include a detailed accounting of disbursements made to provide humanitarian assistance with the funds provided pursuant to this Act.

I did not vote, as I say, for that; but it passed this House, and it is the law; and it seems to me that what the resolution of inquiry is seeking is simply to direct, which ought not to be necessary, the President of the United States to comply with the statute, which happens to be generically the job of the President of the United States.

And I, for one, have had it with the sort of pretend—and let's not pretend atmosphere around here. Somebody suggested that this is sort of "Pablo in Wonderland." Poor old Honduras. Everybody in the world knows what is going on in Honduras.

We sat in this committee for the past 5 years with this administration in 1981, in 1982, and in 1983, refusing to answer any questions based on the headlines of the day, day after day, in this country and around the world, about what the United States was doing in so-called covert activities in Nicaragua. They would not even acknowledge them. They were not secret to anyone.

I do not know who it is that does not yet know about what is going on in Honduras. Certainly, the Nicaraguans are aware of what is happening. Certainly, the Hondurans are aware of what is happening. It may be that someone on the end of Pennsylvania Avenue thinks that there are still some Members of this Congress who are sufficiently inept as to not know what is happening.

The whole blinking world knows what is happening, and it is beyond absurdity to suggest that the sensitivity of the Hondurans is such that we ought not to confess to what is globally known and has been for a long time.

I, although I think every one of us—and now, I will say something we will all agree to who are in this job, from time to time, have mixed feelings about the institution we all revere known as the “free press,” the fact of the matter is that, as Winston Churchill observed about democracy: “It is the worst system in all the world except for all the others, and thank God.”

There are a lot of things we have found out in this city that we ought not to have to rely on the press to find out about; several of them in recent generations have had to do with wars; this is not the first. I hope to God it will be the last; but we are kidding only ourselves if we think we are dealing with information that is sensitive. No wonder the Hondurans are embarrassed by it.

Any law-abiding nation would be embarrassed by being associated with the policies of this administration in Central America. I am embarrassed by them. As a United States citizen, I do not blame the Hondurans for 1 minute for being embarrassed by them. Maybe they will be sufficiently embarrassed to stand up and act like an independent sovereign nation. That would be wonderful.

But, pending that and pending our coming to our senses here, it seems to me the very least we can do is to adopt the resolution of the gentleman from California and to request the President do what no Congress ought ever to have to request any President to do, which is to see that the laws be faithfully executed.

And I thank the gentleman for presenting the resolution.

Mr. BARNES. The gentleman from Connecticut, Mr. Gejdenson.

Mr. GEJDENSON. No questions.

Mr. BARNES. Any further questions for our colleague from California?

Mr. DYMALLY. No.

Mr. BARNES. Mr. Panetta, we very much thank you for your presence this afternoon, for your leadership on what is an issue that ought to be of concern to everyone in the Congress, as you said, whether or not they support aid to the Contras, to assure the taxpayers that their money is being spent for the purposes intended.

So, we are grateful to you for your leadership.

At this point, we will call up House Resolution 395, and the staff director will read the resolution.

Mr. JOHNSON. House Resolution 395. Resolution directing the President to provide certain documents to the House of Representatives—

Mr. GEJDENSON. I move that the resolution be considered as read, Mr. Chairman.

**Mr. BARNES.** The gentleman from Connecticut moves that the resolution be considered as read, printed in the record, and open for amendment at any point.

[H. Res. 395 follows:]

**H. Res. 395**

**Resolution Directing the President to provide certain documents to the House of Representatives concerning the use of the \$27,000,000 appropriated for humanitarian assistance for the Nicaraguan democratic resistance**

*Resolved*, That not later than 7 days after the adoption of this resolution, the President shall provide to the House of Representatives the following information:

(1) Any documents concerning financial transactions relating to the procurement outside the United States of any equipment, supplies, or other goods for the Nicaraguan democratic resistance using the \$27,000,000 appropriated by Congress in the Supplemental Appropriation Act, 1985, specifically including—

(A) any document authorizing the obligation or expenditure of funds for such procurement;

(B) any document concerning any payment or other transfer of funds for such procurement to or through any bank or other financial institution, broker, supplier, or other person; and

(C) any document concerning any direct or indirect disbursement of cash to the Nicaraguan democratic resistance (including documents showing the amount and recipients of the cash and documents showing how the cash was used).

(2) Any documents showing whether the equipment, supplies, or other goods procured outside the United States with those funds were received by the Nicaraguan democratic resistance.

(3) Any documents concerning the actual end use of the equipment, supplies, or other goods procured with those funds, including any document concerning whether any such goods were traded, bartered, or exchanged for any other goods, including any trade, barter, or exchange for goods which are excluded from the definition of humanitarian assistance contained in the Supplemental Appropriation Act, 1985.

**Mr. BARNES.** Are there any amendments to the resolution?

[No response.]

**Mr. BARNES.** Hearing none, the question will occur on the resolution, on House Resolution 395.

Those in favor of the resolution will vote "aye."

[A chorus of "ayes."]

**Mr. BARNES.** Those opposed will vote no.

[No response.]

**Mr. BARNES.** The ayes have it, and the resolution is reported favorably to the full Committee on Foreign Affairs, and the subcommittee will stand adjourned.

[Whereupon, at 2:53 p.m., the subcommittee was adjourned.]





# INVESTIGATION OF UNITED STATES ASSISTANCE TO THE NICARAGUAN CONTRAS

THURSDAY, MAY 1, 1986

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The committee met in open markup session at 11:45 a.m., in room 2172, Rayburn House Office Building, Hon. Dante B. Fascell (chairman of the committee) presiding.

[Thereupon, the committee proceeded in consideration of other business.]

## HOUSE RESOLUTION 395—RESOLUTION OF INQUIRY ON USE OF FUNDS FOR THE CONTRAS

Chairman FASCELL. The next order of business is the consideration of House Resolution 395, resolution of inquiry directing the President to provide certain documents to the House of Representatives concerning the use of the \$27 million appropriated for humanitarian assistance for Nicaraguan democratic resistance.

On March 12, the Chair wrote the President requesting comment on the resolution. On April 9, the Chair received a response on behalf of the President from William L. Ball III, Assistant to the President.

On the same day, the Chair received a letter from Hon. Michael D. Barnes, chairman of the Subcommittee on Western Hemisphere Affairs, regarding the White House response and on the same day the subcommittee held a hearing on the resolution and made a tentative recommendation to the full committee.

On April 14, the chairman of the subcommittee, Mr. Barnes, wrote the President requesting further information relevant to the resolution. On April 30, the sponsor of the resolution, Hon. Leon Panetta, wrote the Chair a letter expressing his view the administration had complied with the resolution of inquiry.

The Chair has also received a letter from the chairman of the subcommittee in reference to that letter, saying the subcommittee chairman concurs with Mr. Panetta with respect to his opinion that the administration was in essence complied with the resolution. Without objection, the text of that correspondence will be included in the record at this point. The Chair recognizes the chairman of the subcommittee, Mr. Barnes.

[The correspondence follows:]

## DANTE B. FASCELL, House Chairman

LEE W. HAMMILL, Texas  
 GUY W. HART, Texas  
 STEPHEN J. LEE, New York  
 DON BENNETT, Utah  
 GERALD STILES, Mississippi  
 DAN BURTON, Indiana  
 MICHAEL J. BARNETT, Missouri  
 HOWARD M. COHEN, New York  
 GUY W. HART, New York  
 SAM GEORGE, New York  
 MERVIN M. DYMALLY, California  
 TONY DANZON, California  
 PETER W. RODINO, Pennsylvania  
 ROBERT C. TORRES, New Jersey  
 LAWRENCE H. SMITH, Florida  
 HOWARD B. BENTLEY, California  
 HARRY REICHERT, Michigan  
 MI. LEVIN, California  
 EDWARD J. FEIGHAN, Ohio  
 TED WEISS, New York  
 GARY L. ACKERMAN, New York  
 BUDDY MURPHY, Florida  
 MICHAEL S. UDALL, Arizona  
 ROBERT GARCIA, New York

WILLIAM S. BRONKHORST, Michigan  
 BENJAMIN A. CLARK, New York  
 ROBERT J. LAGOMARSINO, California  
 JIM LEACH, Iowa  
 TONY BOHN, Missouri  
 DONALD W. RUDOLPH, Maine  
 MERVIN J. HODGSON, New York  
 GERALD B. SCUDLOR, New York  
 DOUG BRIDGES, Nebraska  
 MARK D. SWANSON, Michigan  
 ED ZISMAN, California  
 ROBERT E. DORNAN, California  
 CARL STONER, New Jersey  
 CORNEL MACE, Florida  
 MICHAEL DUNNE, Ohio  
 DAN BURTON, Indiana  
 JOHN McCAIN, Arizona

JOHN J. SHADY, JR.  
 Chief of Staff

The President  
 The White House  
 Washington, D. C. 20500

Dear Mr. President:

I am writing to request your comments on H.Res. 395, a resolution of inquiry directing the President to provide certain documents to the House of Representatives concerning the use of the \$27,000,000 appropriated for humanitarian assistance for the Nicaraguan democratic resistance.

This resolution was introduced in the House on March 11, 1986 and referred to the Committee on Foreign Affairs. Under the rules of the House, the committee must act on this legislation within 14 legislative days, beginning March 12. Therefore, I respectfully request your response to this resolution no later than April 4, in order to give the committee adequate time to consider the matter.

A copy of H.Res. 395 is enclosed for your reference.

With highest regards, I am

Sincerely yours,

Dante B. Fascell  
 Chairman

DBF:ji  
 Enclosure

# Congress of the United States

## Committee on Foreign Affairs

House of Representatives

Washington, DC 20515

March 12, 1986

THE WHITE HOUSE  
WASHINGTON

RECEIVED

April 9, 1986

APR 09 1986

Committee on Foreign Affairs

Dear Chairman:

Thank you for your letter of March 12 enclosing a copy of House Resolution 395 and requesting my views on the proposed resolution.

The humanitarian assistance program authorized by the Congress for the Nicaraguan democratic resistance must be implemented in a manner that takes into account the political situation in the region where this assistance is required. The Executive Branch cannot carry out the will of the Congress, as expressed in the legislation authorizing this aid, unless it protects information concerning procurement and delivery outside the United States. With the exception of intelligence reports, discussed separately below, the documents requested by H. Res. 395 were made available to the General Accounting Office on a classified basis during its audit of the Nicaraguan Humanitarian Assistance Office (NHAO), and remain available for examination on that basis by members or authorized agents of the Congress.

Because of the bulk of the documents falling within the scope of the resolution, we would prefer that any further examination of them by members or authorized agents of the Congress be done at the Nicaraguan Humanitarian Assistance Office. However, should you believe it necessary, we would be ready to make copies available for temporary retention by the Committee in an appropriate secure facility.

With respect to intelligence reports falling within the scope of this resolution, these documents have been made available to the House Permanent Select Committee on Intelligence.

In our view, the Administration has been -- given the unique constraints of this program -- fully cooperative with the Congress in the exercise of its legitimate oversight responsibilities. We intend to continue that cooperation. Since the documents requested by H. Res. 395 are available to the Congress, we see no need for the passage of this resolution.

Sincerely,



William L. Ball, III  
Assistant to the President

The Honorable Dante B. Fascell  
Chairman, Committee on Foreign Affairs  
House of Representatives  
Washington, D.C. 20515

DANTE B. FASCELL, Florida, Chairman  
 LEO H. RABINOVICH, Illinois  
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 JOHN MCCAIN, Arizona  
 JOHN J. BRADY, Jr.  
 Chief of Staff

**Congress of the United States**  
**Committee on Foreign Affairs**  
**House of Representatives**  
**Washington, DC 20515**

April 9, 1986

The Honorable Dante B. Fascell  
 Chairman  
 Committee on Foreign Affairs  
 House of Representatives  
 Washington, D.C. 20515

Dear Mr. Chairman:

I am writing with respect to the letter of today's date from Mr. William L. Ball, III, in response to your letter of March 12 concerning H. Res. 395.

Mr. Ball's letter promises that the Committee will be given access to information in response to the resolution. However, no such information has yet been provided. The letter was received literally minutes before the Subcommittee on Western Hemisphere Affairs was scheduled to meet to consider the resolution.

In view of the last-minute response by the Administration, the Subcommittee felt that it had no choice but to proceed to report the resolution favorably to the full Committee, which it did. However, the Subcommittee recommends that full Committee consideration be delayed in order to give the Administration a chance to provide the information. The Subcommittee recommends that if the information is not provided by close of business tomorrow, the Committee schedule immediate action on the resolution. If the information is provided by close of business tomorrow, the Subcommittee recommends that Committee action be further delayed to permit an opportunity for a thorough review of the information. In that event, Congressman Panetta, the sponsor of the resolution, has agreed not to call up the resolution until such time as the Committee is able to act.

I believe that this is a responsible way to deal with this issue and appreciate your consideration.

Sincerely,

*Mike*

Michael D. Barnes  
 Chairman  
 Subcommittee on Western  
 Hemisphere Affairs

MDB:vj

DANIEL S. FASCELL, Florida, Chairman  
 LEE P. HAMILTON, Indiana  
 BUE YATTON, Pennsylvania  
 STEPHEN J. SOLARZ, New York  
 DON BONNER, Washington  
 GARY E. STUDS, Massachusetts  
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 SID WYCHOKETZ, Jr., Michigan  
 SAM GLICKSON, Connecticut  
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 TONY ROTH, Wisconsin  
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 GARY J. HYDE, Kansas  
 GERALD B. H. SOLONCHOK, New York  
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 CHRISTOPHER H. SMITH, New Jersey  
 CONNOR MACE, Florida  
 MICHAEL DRYWINE, Ohio  
 DAN BURTON, Indiana  
 JOHN MCCAIN, Arizona  
 JOHN J. BRADY, Jr.  
 Chief of Staff

**Congress of the United States**  
**Committee on Foreign Affairs**  
**House of Representatives**  
**Washington, DC 20515**

April 14, 1986

The President  
 The White House  
 Washington, D.C. 20500

Dear Mr. President:

The staff of the Subcommittee on Western Hemisphere Affairs has reviewed the documents provided by the Nicaraguan Humanitarian Assistance Office in response to House Resolution 395, a resolution directing you to provide certain documents to the House of Representatives concerning the use of the \$27,000,000 appropriated for humanitarian assistance to the Nicaraguan democratic resistance.

Based on this review, I would view the Administration as being in substantial compliance with this resolution, and would be prepared to recommend that the Committee on Foreign Affairs report the resolution unfavorably, if the following additional information is provided to the Committee by 5:00 Tuesday, April 15, assuming that this information does not raise any new questions:

- (1) The remainder of the foreign vendor files already being processed.
- (2) Any grant documents authorizing these specific transactions.
- (3) Any trip reports, memoranda, or other documents relating to travel to Central America by personnel funded by NHAO.
- (4) (a) Any disbursement records of brokers receiving payment from NHAO; and  
 (b) Any disbursement records of any other organizations or individuals receiving payment from NHAO (e.g., Fundacion de Nicaragua; Regional Liaison Office; etc.).
- (5) The UNO budget for the use of the \$27 million.
- (6) (a) Any information in the possession of the

CIA or any other agency on the use or disposition of supplies, goods, or cash paid by NHAO under the program; and

(b) Any information provided by such agencies on suppliers, corporations, brokers, and other concerns in Central America receiving funds under this program.

This request was conveyed informally to the Nicaraguan Humanitarian Assistance Office on Saturday, April 12.

I appreciate your assistance in this matter.

Sincerely,

*Mike Barnes*

Michael D. Barnes  
Chairman  
Subcommittee on Western  
Hemisphere Affairs

MDB:vj

cc: Ambassador Robert Duemling  
Hon. Dante B. Fascell

LEON E. PANETTA  
19TH DISTRICT CALIFORNIA

CLIMATE  
AGRICULTURE  
CHAIRMAN  
SUBCOMMITTEE ON CLIMATE  
AND AGRICULTURE  
HOUSE ADMINISTRATION  
CHAIRMAN  
SUBCOMMITTEE ON PERSONNEL AND POLICE  
SELECT COMMITTEE ON HUNGER  
CHAIRMAN  
TASK FORCE ON DOMESTIC VIOLENCE  
DEPUTY MAJORITY WHIP

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

April 30, 1986

WASHINGTON OFFICE  
330 CONGRESS BUILDING OFFICE B. E. A.  
WASHINGTON, DC 20515  
202 225-2001

LEGISLATIVE OFFICES  
200 ALVARADO STREET  
SANTA MONICA, CA 90404  
800-640-3099

MOBILE OFFICE  
1000-637-4500

SAN FRANCISCO  
1000-424-7770

SAN LUIS OBISPO  
1000-541-6163

SANTA CRUZ  
1000-420-1070

Hon. Dante B. Fascell, Chairman  
Committee on Foreign Affairs  
2170 Rayburn House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman:

Twice in the last few days, I have met with representatives from the Central Intelligence Agency to view those classified documents that have been made available as a result of my Resolution of Inquiry, H.Res. 395.

These documents detail the delivery of goods to the Contras based on last year's aid appropriation, but do not provide any information regarding the brokers' accounts or the end use of procured items. As you know, the law directed that the President establish the procedures that would allow him to guarantee that U.S. aid was not being diverted to non-humanitarian purposes. I have not seen any information that would alter my initial conclusion that the Administration has not established these procedures, and cannot, therefore, account for funds that were deposited in the Miami bank or verify the end use of the items that were procured with U.S. aid money.

Thus, while the Administration has complied with my Resolution of Inquiry, it is apparent that the President has not complied with the requirements of the original law. For this reason, I respectfully request that I be allowed to appear before the Committee on Foreign Affairs to explain my continuing concern in this matter and to recommend that the committee report H.Res. 395 unfavorably. I will continue, and I would urge the Committee to continue to pursue the answers to these still unanswered questions.

Thank you for your consideration in this matter.

Sincerely,

LEON E. PANETTA  
Member of Congress

LEP/ktk



**DANTE B. FASCELL, Florida, Chairman**

LEE H. HAMPTON, Texas  
 GUS VILSON, Pennsylvania  
 STEPHEN J. SOLARZ, New York  
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 ROBERT GARCIA, New York

WILLIAM S. BROOKFIELD, Michigan  
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 ROBERT J. LAGOMARINO, California  
 JIM LEACH, Iowa  
 TONY ROTH, Tennessee  
 GUYTON J. BROWN, Maine  
 HENRY J. HYDE, L. 1981  
 GERALD S. M. SOLOMON, New York  
 DOUG BERLUTER, Nebraska  
 MARK D. BALABON, Michigan  
 BO ZSCHAU, California  
 ROBERT A. DORNAN, California  
 CHRISTOPHER H. BARTIN, New Jersey  
 CONNOR MACE, Florida  
 MICHAEL BRYNE, Ohio  
 BRIAN BARTON, Nevada  
 JOHN MCCAIN, Arizona

JOHN J. BRADY, JR.  
 Chief of Staff

**Congress of the United States**  
**Committee on Foreign Affairs**  
**House of Representatives**  
**Washington, DC 20515**

April 30, 1986

The Honorable Dante B. Fascell  
 Chairman  
 Committee on Foreign Affairs  
 House of Representatives  
 Washington, D.C. 20515

Dear Dante:

I have received a copy of Leon Panetta's letter to you concerning his resolution of inquiry, H. Res. 395.

I concur in Leon's conclusion that the Administration is in essential compliance with the resolution, and I would therefore be pleased to offer a motion that the resolution be reported unfavorably at such time as you convene a meeting for that purpose.

I also concur in Leon's conclusion that our investigation shows as conclusively as it is possible to show that the Administration has not complied with the law requiring it to set up appropriate monitoring procedures with respect to the so-called humanitarian assistance for the contras authorized by the Congress. It is now clear that the Administration does not in fact know what happened to the \$7.1 million deposited in Miami bank accounts, supposedly to pay local suppliers, and cannot in fact show that goods purchased in and shipped from the United States ever reached their destinations.

Therefore, it seems to me, the Committee must pursue other means of acquiring information on this matter, particularly information in the possession of the Miami banks. I will be consulting with you as to how to do that, and would hope to have your support.

Finally, I greatly appreciate the cooperation of the Committee in our successful efforts to obtain the information requested in the resolution.

Sincerely,



Michael D. Barnes  
 Chairman  
 Subcommittee on Western  
 Hemisphere Affairs

Mr. BARNES. Mr. Chairman, I would move that the full committee report, House Resolution 395, unfavorably.

Chairman FASCELL. Mr. Panetta, would you like to make a statement to the committee at this point on the resolution?

**STATEMENT BY SPONSOR OF THE RESOLUTION**

**STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. PANETTA. If I could, Mr. Chairman, I would appreciate it.

Chairman FASCELL. Mr. Panetta.

Mr. PANETTA. Mr. Chairman, thank you very much. I will be brief.

I have, as I have indicated in the correspondence to the chairman and to the committee, seen all of the information that the administration says it possesses with regard to the Contra aid program.

**QUESTIONS HAVE NOT BEEN ANSWERED**

I do, however, want to make very clear that I still have a number of questions that have not been answered by the documentation that has been presented to me both overtly and through classified briefings that I have had with the CIA and with Intelligence Committee representatives.

I have viewed the available documents. And yet, even representatives from the State Department agree with me that there are gaps in their ability to provide documentation for how these funds were spent.

The basic problem, as you know, is that humanitarian aid was provided on the basis that the administration would establish procedures and controls to ensure that the aid was used for humanitarian purposes and not for lethal purposes.

The GAO testified before this committee, after reviewing the information, that there were problems in terms of their ability to confirm that the funds were used for that purpose. As you know, the real problem is not so much with funds that were expended in this country, but rather with those funds that were expended in Central America.

As a consequence of the sensitivities of that region, they frankly were unable to set up either the controls or procedures to guarantee that those funds were in fact spent for the purposes that were defined in the law.

I recognize that this is a sensitive issue, and I don't think anybody wants to jeopardize the security of the operation or embarrass our friends in Central America. After seeing the classified information, I am even more aware of this sensitivity, and yet there still is no reason why appropriate accountability was not put in place to ensure that those funds were in fact expended for the purposes that were laid out by an overt program.

If this were a covert program that would be a different matter, but it clearly was designed as an overt program. These controls were to be established and they were not. I think they could have

been established, and that there is no excuse for not having that accountability.

You can be sensitive and accountable at the same time. That is the name of the game in terms of our responsibility to taxpayers.

As I said, I have seen that information. I realize that the administration from a technical point of view is in compliance with my resolution of inquiry. I am not at all satisfied, however, that the administration is in compliance with the original aid law as it was defined by the Congress.

So while I recommend to the committee that House Resolution 395 be reported unfavorably, I do urge the committee strongly to continue to pursue answers to these questions: Where has the money gone? Has any of it been misused for either the purpose or transportation of weapons or any other lethal supplies, and where is the accounting system to support all of the expenditures and purchases of humanitarian aid?

Incidentally, we are talking about the bulk of the aid which has now been spent in Central America. This represents close to \$15 million which was placed in Miami bank accounts and then could not be tracked beyond those bank accounts.

We are talking about compliance with the law, not about partisan politics on this issue.

I think it would be in the best interest of my colleagues on both sides to make sure that the administration fulfills its obligations under the law.

Again, I want to thank you, Mr. Chairman, and all of the members of the committee for the opportunity to speak today. I will be happy to answer any questions that you may have.

Chairman FASCELL. Are there any questions?

Mr. Weiss.

Mr. WEISS. Thank you very much, Mr. Chairman.

First I want to commend our colleague for pressing this issue so in fact we would have the opportunity, so we would in fact have the opportunity to focus on this issue beyond just vague assurances that we had gotten in formal, open testimony, not to worry that in fact the money was appropriately spent.

#### APPROPRIATE SYSTEM OF ACCOUNTING

I guess the question that I would have, when the Assistant Secretary, Mr. Abrams, testified, his response to one of the questions that I put was that the language of the statute was that there be an appropriate system of accounting, that as far as they were concerned, there was indeed an appropriate system of accounting.

Now, I gather that you do not believe that there was an appropriate system. I wonder if you would expand a little bit on that as to what they suggest was—how they suggested they have in fact adhered to the requirements of the original statute.

Mr. PANETTA. Well, I have to be careful not to get into any sensitive information, but it is clear in my mind that the GAO does not have documents to ensure that the funds that were expended from particularly the Miami bank accounts were in fact spent for humanitarian purposes. They believe they were.

Their sense is that they trust the various operations that were involved to the extent that they feel they were expended for humanitarian purposes. But, in fact, they cannot present documentation or other supporting documents to confirm that indeed that is the case.

Mr. WEISS. As far as you are concerned, that is what the language of the legislation requires?

Mr. PANETTA. It certainly was my understanding that procedures and controls were required to be established by the President to ensure that these funds were spent for humanitarian purposes.

Mr. WEISS. Thank you very much.

Thank you, Mr. Chairman.

Chairman FASCELL. Any other questions or discussions?

Mr. Panetta, thank you very much.

Mr. PANETTA. Thank you, Mr. Chairman.

Chairman FASCELL. Mr. Barnes.

Mr. BARNES. Thank you, Mr. Chairman.

#### ACCESS TO INFORMATION

I want to join my friend from New York in commending Mr. Panetta for his leadership on this issue. It is a very important issue not only of concern because of the use of taxpayers' money, but because it has serious foreign policy implications as well.

The gentleman has provided outstanding leadership. I also appreciate, Mr. Chairman, the cooperation that you have shown and that the committee staff has shown to Mr. Panetta and myself and my subcommittee staff in this whole process.

With the help of the committee, we appear to have succeeded, as Mr. Panetta has said, in obtaining from the administration all the available information that is pertinent to this inquiry.

I also believe that the Nicaraguan Humanitarian Assistance Office has been forthcoming in this matter. Once we convinced them that we were serious by reporting the resolution out of my subcommittee, the documents were then provided in a timely manner.

The resolution has therefore served its purpose and I am now prepared, as I have indicated, to recommend that the committee report the resolution unfavorably and I trust we will do that in a second.

#### VERIFICATION OF USE OF THE FUNDS

However, having said that, I must also share Mr. Panetta's view that the results of our investigation are disturbing. In March, the General Accounting Office testified before the Subcommittee on Western Hemisphere Affairs that the administration had failed to meet the requirement of the law that it establish appropriate procedures to "ensure," and that is the operative word we should be focused on, to "ensure" the \$27 million in so-called humanitarian assistance that the Congress authorized for the Contras last year was not diverted to other uses.

The GAO also testified that the Nicaraguan Humanitarian Assistance Office is unable to assess the validity of the regional assets, is unable to check out many suppliers, has difficulty estab-

lishing reasonableness of prices, and cannot verify actual delivery or asset of items.

The GAO testified that its inspectors were denied permission to travel to the region to investigate local purchases and finally the procedures adopted by the Nicaraguan Humanitarian Assistance Office for payment to brokers would allow for U.S. funds to be comingled in Miami banks with other funds obtained by the Contras.

It is therefore quite possible for the U.S. funds to have been used for the purchase of weapons or other items specifically prohibited by law.

Mr. Chairman, the Nicaraguan Humanitarian Assistance Office says we have seen everything. The CIA says we have seen everything and nothing that we have seen changes any of the conclusions that were reached by the GAO after its initial audit.

We have no way of knowing what happened to the funds deposited in Miami bank accounts for local purchases in Central America.

The GAO now estimates, as Mr. Panetta has said, that its final accounting will show that \$15 million of the \$27 million will have disappeared from sight. We have no way of verifying that items purchased and shipped from the United States ever reached their final destination. We have no way of knowing whether the amounts of food, clothing, and medicine said to be provided to the Contras by the documents correspond to the amounts actually required by them. We have no way of knowing whether luxury items supplied to the Contras under this program were retained by them or potentially sold or exchanged for other items.

We have no way of knowing whether cash provided in local currency for the sustenance of Contras in the field in Nicaragua corresponds to the number of Contra troops actually in Nicaragua.

In short, Mr. Chairman, this whole operation is completely out of control. It is unmonitored. That is unacceptable to my subcommittee and it should be, I would think, to all Members of this committee and all Members of Congress.

So while I am urging today that we put the resolution of inquiry behind us, that most emphatically does not end my interest in this matter. I am going to continue to pursue it, Mr. Chairman, and as I have mentioned to you in conversations we have had about it, I will be consulting with you and the staff of the committee as to what are the most appropriate ways to do that.

Again, I thank you, Mr. Chairman, for your cooperation and that of the members of the committee staff. We have certainly had excellent cooperation from everyone involved.

Chairman FASCELL. Well, will the gentleman yield at that point?

Mr. BARNES. Certainly.

Chairman FASCELL. I certainly want to commend Mr. Panetta and the subcommittee for pursuing the matter. The question of whether or not the law has been adhered to is a very important issue and must be pursued.

#### GAO INVESTIGATION

I am just curious about something that you said in your statement. I would like to ask you about it if you can tell me at this time. If not, we will discuss it at some other time. But who refused

the GAO the right to pursue the ultimate expenditure of the dollars? Does anybody know? If not, we can wait and get it later.

Mr. BARNES. They were asked not to go to Central America if that is your question.

Chairman FASCELL. That is my question.

Mr. BARNES. By the State Department, as I understand it.

I am informed that a friendly government was opposed to it.

Chairman FASCELL. OK. Then we will go into that matter at some other time.

It seems to me that is key to the whole question as to who and why GAO has refused permission to do their job.

All right. Is there any further discussion on the motion of the gentleman from Maryland?

All those in favor of the motion, signify by saying aye; all those opposed, no.

The ayes have it and the resolution is reported unfavorably.

[Whereupon, the committee proceeded in consideration of other business.]

## INVESTIGATION OF UNITED STATES ASSISTANCE TO THE NICARAGUAN CONTRAS

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THURSDAY, MAY 8, 1986

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,  
*Washington, DC.*

The subcommittee met at 10:10 a.m., in room 2200, Rayburn House Office Building, Hon. Michael D. Barnes (chairman of the subcommittee) presiding.

Mr. BARNES. The subcommittee will come to order.

The purpose of this morning's meeting is to consider further action by the subcommittee in our investigation of the expenditure of the \$27 million in so-called humanitarian aid that the Congress authorized last year for the Contras.

### IMPOSSIBLE TO TRACE FUNDS FROM THE BANKS

Both a General Accounting Office study that I requested, and a resolution of inquiry by Congressman Panetta that was referred to the subcommittee, have shown that a significant amount of these funds was deposited in U.S. banks for reimbursement for the purchase of supplies in Central America. Both of these investigations have shown that it is impossible to trace these funds from the banks to their ultimate disposition.

Accordingly, I intend to move at the appropriate time that the subcommittee authorize the issuance of a subpoena of the records of these bank accounts that are held by brokers, suppliers, and other individuals purchasing goods and services in Central America for the Contras. This action will enable the subcommittee to continue its investigation of how the funds authorized by the Congress were spent in order to determine whether or not the law was violated.

At this point, I would like to note for the record that the staff has in its possession a list of the names of the individuals holding the accounts and of the banks. This list is confidential and it is my intention that the information we receive from the banks will also be treated as confidential.

But, before we go to the motion and to the debate on the motion, I would like to recognize Mr. Frank C. Conahan, Director of the National Security and International Affairs Division of the General Accounting Office, for a short statement to bring us up to date on their audit.

I will ask for comments from my colleagues. Any opening statements?

If not, I would like to recognize Mr. Conahan for a statement on the GAO's audit.

We appreciate your being here this morning. I know you canceled another engagement out of the city in order to be able to accommodate the subcommittee. We appreciate that very much.

**STATEMENT OF FRANK C. CONAHAN, DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JOAN McCABE AND PATRICK McCracken**

Mr. CONAHAN. With me is Joan McCabe, on my right, and Patrick McCracken, on my left, who have been involved in this work right along. We appreciate the opportunity to provide an update here today.

Two months ago, I testified on the accounting and management procedures established by the State Department to ensure that the funds are being spent in accordance with the law's intent. At that time, I stated that the Department did not have procedures and controls to ensure that program funds were being used for the purposes intended by law—in large measure because those charged with administering the program were unable to verify expenditures made in the region, and were unable to observe the end use of procured items to ensure that they were not diverted, bartered, or exchanged for lethal items.

**DIPLOMATIC SENSITIVITIES PREVENT A PROPER ADMINISTRATION OF PROGRAM**

As I said then, the State Department's Nicaraguan Humanitarian Assistance Office [NHAO]—which is charged with the program's administration—had intended to set up operations in the region, but diplomatic sensitivities of certain countries in the region prevented it from doing so; that is, prevented the State Department from doing so. I also noted that although the controls over expenditures outside the United States were deficient, we found nothing to indicate that NHAO had paid for lethal items.

Our conclusions remain unchanged today. As I indicated in my March testimony, we are generally satisfied with NHAO's control over the disposition of funds to U.S. suppliers. This morning, I would like to concentrate on the controls over funds spent on purchases in the region.

As of April 25, 1986, of a total of \$21.1 million expended, about \$13.3 million had been spent for purchases in the region. For these expenditures, the State Department obtained invoices or receipts for almost all purchases and, before it authorized payment, reviewed the invoices and receipts to ensure that the items were allowable under the program. However, from its offices here in town, NHAO could not access the validity of the regional receipts, was unable to check out many suppliers, had difficulty establishing reasonableness of prices, and could not verify actual delivery or receipt of items.



The State Department has asserted that intelligence sources have provided information, which to some extent verifies the receipts and confirms deliveries. We attempted to obtain this information but were denied access to it.

After the assistance office approves the receipts, it issues a payment voucher, and the Treasury then sends a check to U.S. bank accounts—all but one of which is in Miami. There are two types of accounts: One, accounts owned by a supplier; and two, accounts owned by brokers authorized by regional suppliers to act as their agents to receive payments. The brokers are, in turn, expected to pay the suppliers in the region for the goods and services shown on the receipts provided to the State Department.

As of April 25, 1986, NHAO paid \$7.5 million into six accounts owned by suppliers. In one case, a very large supplier also received a relatively small payment on behalf of another supplier. The office also paid about \$5.4 million into six accounts owned by brokers acting as agents for some 45 suppliers in the region.

During the course of our view, we requested that NHAO obtain and provide us with bank statements or other documentation showing that payments were being made by the brokers to the suppliers. The office informed us several weeks ago by letter that it did not have any such records. It told us that as far as it could determine, no bank account was used exclusively for the receipt of payments from NHAO. Rather, each account was used for the general needs and purposes of its owner.

Furthermore, NHAO said payments from the accounts were not mirror images of payments to the brokers. According to the assistance office, block transfers are made to Central America where they are disaggregated, with payments to individual suppliers often made in cash. Thus, the assistance office concluded that U.S. bank records would not allow us to track specific expenditures to individual suppliers.

Instead, it said that it is attempting to obtain statements from the suppliers that payments have been received. We found that 18 suppliers who were supposed to be paid through U.S. accounts had provided statements attesting to payment of about \$6.4 million.

This is a recent procedure. No attempt has been made to reconcile that with the suppliers. The assistance office people are continuing this effort in this regard.

In February, we suggested that State require that separate accounts be maintained for its expenditures through the brokers. This was never done. We continue to believe that NHAO should ensure that brokers maintain separate accounts for humanitarian assistance program funds.

This concludes my prepared remarks. I would be happy to answer any questions you might have.

[The prepared statement of Mr. Conahan follows:]

**PREPARED STATEMENT OF FRANK C. CONAHAN, DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, U.S. GENERAL ACCOUNTING OFFICE**

Mr. Chairman, Members of the Subcommittee, I am pleased to be here to discuss the management of the \$27 million in humanitarian assistance authorized for the Nicaraguan democratic resistance. Two months ago, I testified on the accounting and management procedures established by the State Department to ensure that the funds are being spent in accordance with the law's intent. At that time, I stated

that the Department did not have procedures and controls to ensure that program funds were being used for the purposes intended by law—in large measure because those charged with administering the program were unable to verify expenditures made in the region, and were unable to observe the end use of procured items to ensure that they were not diverted, bartered, or exchanged for lethal items. As I said then, the State Department's Nicaraguan Humanitarian Assistance Office (NHAO)—which is charged with the program's administration—had intended to set up operations in the region, but diplomatic sensitivities of certain countries in the region prevented it from doing so. I also noted that although the controls over expenditures outside the States were deficient, we found nothing to indicate that NHAO had paid for lethal items.

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As of April 25, 1986, of a total of \$21.1 million expended about \$13.3 million had been spent for purchases in the region. For these expenditures, The State Department obtained invoices or receipts for almost all purchases and, before it authorized payment, reviewed the invoices and receipts to ensure that the items were allowable under the program. However, from its offices here in town, NHAO could not assess the validity of the regional receipts, was unable to check out many suppliers, had difficulty establishing reasonableness of prices, and could not verify actual delivery or receipt of items. The State Department has asserted that intelligence sources have provided information, which to some extent verifies the receipts and confirms deliveries. We attempted to obtain this information, but were denied access to it.

After the assistance office approves the receipts, it issues a payment voucher, and the Treasury then sends a check to U.S. bank accounts—all but one of which is in Miami. There are two types of accounts: (1) accounts owned by a supplier and (2) accounts owned by brokers authorized by regional suppliers to act as their agents to receive payments. The brokers are, in turn, expected to pay the suppliers in the region for the goods and services shown on the receipts provided to the State Department.

As of April 25, 1986, NHAO paid \$7.5 million into six accounts owned by suppliers. (In one case, a very large supplier also received a relatively small payment on behalf of another supplier.) The office also paid about \$5.4 million into six accounts owned by brokers acting as agents for some 45 suppliers in the region.

During the course of our review, we requested that NHAO obtain and provide us with bank statements or other documentation showing that payments were being made by the brokers to the suppliers. The office informed us several weeks ago by letter that it did not have any such records. It told us that as far as it could determine no bank account was used exclusively for the receipt of payments from NHAO. Rather, each account was used for the general needs and purposes of its owner. Furthermore, NHAO said payments from the accounts were not "mirror-images" of payments to the brokers. According to the assistance office, block transfers are made to Central America where they are disaggregated, with payments to individual suppliers often made in cash. Thus, the assistance office concluded that U.S. bank records would not allow us to track specific expenditures to individual suppliers. Instead, it said that it is attempting to obtain statements from the suppliers that payments have been received. We found that 18 suppliers who were supposed to be paid through U.S. accounts had provided statements attesting to payment of about \$6.4 million. Two NHAO officials are continuing their efforts in this regard.

In February, we suggested that State require that separate accounts be maintained for its expenditures through the brokers. This was never done. We continue to believe that NHAO should ensure that brokers maintain separate accounts for humanitarian assistance program funds.

This concludes my prepared remarks. I would be happy to answer any questions you might have.

## [Attachment]

## SUMMARY OF GOODS AND SERVICES [AS OF APRIL 25, 1986]

Goods and services (examples)	Total	Purchases made—	
		Not in United States	In the United States
Food, sundries, consumables, foreign currency, and some delivery costs .....	\$8,208,105	\$8,208,105	0
Pharmaceuticals, medical supplies, and refrigerators (drug storage) .....	4,027,791	963,927	\$3,063,864
Uniforms, boots, ponchos, socks, hats, belts, & other clothing .....	3,335,963	1,149,399	2,186,564
Flashlights, hand tools, hammocks, trucks, and other equipment .....	2,331,537	602,326	1,729,211
Transportation, storage, security, warehousing, and some freight costs .....	2,281,309	1,788,778	492,531
Medical services, hospitalization and related expenses, and doctor fees .....	315,189	146,659	168,530
Human Rights Program (Fundacion de Nicaragua) .....	448,500	448,500	0
Administrative support for United Nicaraguan Opposition and NHAO .....	180,007	26,000	154,007
<b>Total .....</b>	<b>21,128,401</b>	<b>13,333,694</b>	<b>7,794,707</b>

Note: Transport for food and other commodities was sometimes listed separately. At other times, it was included in the price of the commodity. Similarly, receipts for food at times included sundries and clothing which were not listed separately under other commodity categories.

**Mr. BARNES.** Thank you very much, Mr. Conahan.

I must say, you and your staff have been enormously diligent in your efforts, and the work that the subcommittee has received from you and your team has exhibited the highest quality of professionalism, and it has just been first-rate.

It is unfortunate that you were not able to do your complete job the way you would routinely do it with any other program because you were unable to complete an audit by tracking all of the funds.

I have had the opportunity to talk with Mr. Conahan and his associates at some length. Are there any questions from other members of the subcommittee at this time?

## ISSUANCE OF SUBPOENAS BY THE SUBCOMMITTEE

If not, I would like to take just a minute or so to explain why I am compelled to recommend that the subcommittee issue subpoenas for the records of bank accounts of brokers, suppliers, and other individuals receiving payment from the Nicaraguan Humanitarian Assistance Office for goods and services purchased in Central America and provided to the Contras.

We have just heard Mr. Conahan repeat the assertion he made before the subcommittee in March—that the administration has not complied with the law in instituting controls to avoid diversion of funds. Information provided to the subcommittee pursuant to House Resolution 395, a resolution of inquiry introduced by Mr. Panetta, confirms the GAO's conclusion that there is no appropriate accounting for the money spent in the region.

Our colleague, Mr. Panetta, had access to intelligence information which, according to the testimony he presented before the full committee last week, did not answer any of the questions he had or that we are discussing this morning.

The GAO and the subcommittee have exhausted all avenues available to investigate what has happened to more than 60 percent of the funds approved by the Congress last year for the Contras. Let me explain what we have and what we are looking for.

We have the payment vouchers by NHAO, invoices from the suppliers, and receipts from the suppliers acknowledging payment;

but, in between, we don't have anything at all. We know that the money went into certain bank accounts, but we have no information on disbursements from those accounts.

#### ALLEGATIONS OF SKIMMING OPERATIONS

We are told by the administration that the receipts are real, that the goods are reaching the Contras, and that the funds are fully accounted for. But individuals formerly associated with the Contras are now saying—and I know they have been to other Members, and they have been to my office—that the Contra fighters are dying because of lack of adequate medicine and food, and the skimming operations were set up with the use of false receipts to fatten the pockets of certain Contra leaders.

These are the allegations. I am not making them. We don't know if it is true or not.

This is an overt program, and ideally we should be able to go down to the region to look at the books of the brokers, suppliers, and others receiving funds under this program. But GAO was not allowed to travel to the region to interview them. The Department of State tried to obtain these records but was denied access to them.

Furthermore, most of these individuals do not reside in the United States, and therefore are beyond the reach of U.S. law. I intend to continue to consider ways to get at the records of the brokers and suppliers. Pending that, the next logical step is to look at the bank accounts.

I would like to make one thing clear: We are obviously not going after the banks, nor do we suspect the banks of any wrongdoing. A subpoena is a common practice, which the banks require before they can release such documents. We are looking for documents that would provide the missing paper link that the GAO has been searching for.

I believe that these documents will provide one of two things: Either the GAO was wrong, and the funds can be traced through the accounting mechanisms that the NHAO office created; or the GAO was right, the law has been violated, and we do not know what happened to over \$13 million of the taxpayers' money.

Those who support assistance to the Contras should be the first to support the subcommittee's investigation. In order to erase any suspicion about this program, and to respond to the allegations being made now by former Contras and others, they should join us in demanding a complete accounting. That is our congressional responsibility.

I urge my colleagues to support my motion.

It would be my intention to go into executive session if any members wish to discuss the specifics of the banks involved or the individual names of brokers. But, other than that, we can continue discussion in open session. If members want to bring up the confidential matters, we can do so.

I would ask the staff to provide the members with the lists that we have.

At this time, I would move that we recess for 2 minutes.

Mr. DYMALLY. Before you recess, may I ask a question?

Were members of the minority party invited to this meeting?

Mr. BARNES. Of course. I discussed the meeting at some length yesterday with the ranking Republican member, Mr. Lagomarsino and informed him of the plan. He concurred in my judgment that, if we were going to be discussing sensitive material, he would vote to go into executive session.

Mr. DYMALLY. Thank you very much.

Mr. BARNES. We will recess briefly while we await our colleagues.

[Recess.]

Mr. BARNES. The subcommittee will resume.

Before we move to the next item of business, which is the motion that the Chair intends to make with respect to the authorization of the issuance of subpoenas, the Chair would simply, for the information of the members who just arrived and were not able to be here at the beginning of the meeting, indicate that we are considering this morning the issuance of subpoenas of bank records of brokers, suppliers, and other individuals receiving payments from the Nicaraguan Humanitarian Assistance Office for goods and services purchased in Central America and provided to the Contras.

Mr. Conahan, of the General Accounting Office, and his colleagues, have brought us up to date just briefly this morning on their efforts to obtain final audit of the funds that have been provided to the Contras and indicated that they have been unable to complete an audit.

The Chair has already indicated that the next logical step appears to be to look at the bank records of the accounts into which funds were placed by the Nicaraguan Humanitarian Assistance Office in the State Department.

Is there any discussion, before the Chair puts the motion, by our colleagues who have just arrived?

If not, Mr. Lagomarsino, do you have anything?

Mr. LAGOMARSINO. No. I understood this was going to be an executive session.

Mr. BARNES. We discussed that. The members have agreed to keep the names of the banks and the individuals confidential. As I indicated earlier, if there were to be any discussion of that—members have been provided, or should have been provided, with a list of the banks whose records are at issue—if there is to be a discussion of that, it would be my intention to go into executive session to discuss it.

If members wish to discuss it, I think that should be done in executive session. If there is no discussion of that, the rest of it, it seems to me, can be done in open session.

There is no intent here to invade the privacy of the institutions involved or to publicize the names of the individuals.

If there is no further discussion, then I would move the subcommittee authorize the issuance of subpoenas to those institutions and for those accounts listed in the list that has been provided to the members, and for others of the same nature that come to the committee's attention.

Is there a second?

Mr. GEJDENSON. Second.

Mr. DYMALLY. Second.

Mr. BARNES. Is there a discussion of the motion?

If not, the Chair would put the question.

I understand this has to be by rollcall vote. The staff director will call the roll.

Mr. JOHNSON. Mr. Barnes.

Mr. BARNES. Aye.

Mr. JOHNSON. Mr. Studds.

Mr. STUDDS. Aye.

Mr. JOHNSON. Mr. Gejdenson.

Mr. GEJDENSON. Aye.

Mr. JOHNSON. Mr. Kostmayer.

Mr. KOSTMAYER. Aye.

Mr. JOHNSON. Mr. Dymally.

Mr. DYMALLY. Aye.

Mr. JOHNSON. Mr. Weiss.

Mr. WEISS. Aye.

Mr. JOHNSON. Mr. MacKay.

[No response.]

Mr. JOHNSON. Mr. Lagomarsino.

Mr. LAGOMARSINO. Aye.

Mr. JOHNSON. Mr. DeWine.

[No response.]

Mr. JOHNSON. Mr. Burton.

[No response.]

Mr. JOHNSON. Mr. McCain.

[No response.]

Mr. JOHNSON. Mr. Hyde.

Mr. HYDE. Aye.

Mr. JOHNSON. Mr. Reid.

Mr. REID. Aye.

Mr. JOHNSON. The vote is nine "ayes" and no "nays."

Mr. BARNES. The motion is agreed to.

Is there any further action required this morning?

If not, I thank my colleagues for their attendance. We will pursue this matter immediately.

The subcommittee stands adjourned.

[Whereupon, at 10:45 a.m., the subcommittee adjourned, subject to the call of the Chair.]

## INVESTIGATION OF UNITED STATES ASSISTANCE TO THE NICARAGUAN CONTRAS

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THURSDAY, MAY 8, 1986

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
*Washington, DC.*

The committee met in open markup session at 3 p.m., in room H-139, the Capitol, Hon. Dante B. Fascell (chairman of the committee) presiding.

Chairman FASCELL. The committee will come to order.

A quorum being present, the Chair recognizes the gentleman from New Jersey for a motion.

Mr. TORRICELLI. I have a motion.

In accordance with clause 2(m)(2)(A) of rule XI of the House rules, and rule 22 of the rules of this committee. I move that Representative Barnes be authorized to sign the specific subpoenas approved by the Subcommittee on Western Hemisphere Affairs on May 8, 1986.

Chairman FASCELL. The question is on the adoption of the motion.

On the motion, all those in favor signify by saying "aye."

All those opposed, "no."

Mr. DYMALLY. I would like to request a rollcall.

Chairman FASCELL. A rollcall has been requested. All those in favor of taking this vote by calling the roll, please raise your hand.

A sufficient number, and the chief of staff will call the roll.

Mr. BRADY. Chairman Fascell.

Chairman FASCELL. Aye.

Mr. BRADY. Mr. Hamilton.

[No response.]

Mr. BRADY. Mr. Yatron.

Mr. YATRON. Aye.

Mr. BRADY. Mr. Solarz.

Mr. SOLARZ. Aye.

Mr. BRADY. Mr. Bonker.

[No response.]

Mr. BRADY. Mr. Studds.

[No response.]

Mr. BRADY. Mr. Mica.

[No response.]

Mr. BRADY. Mr. Barnes.

Mr. BARNES. Aye.

Mr. BRADY. Mr. Wolpe.

[No response.]

Mr. BRADY. Mr. Crockett.

Mr. CROCKETT. Aye.

Mr. BRADY. Mr. Gejdenson.

Mr. GEJDENSON. Aye.

Mr. BRADY. Mr. Dymally.

Mr. DYMALLY. Aye.

Mr. BRADY. Mr. Lantos.

[No response.]

Mr. BRADY. Mr. Kostmayer.

Mr. KOSTMAYER. Aye.

Mr. BRADY. Mr. Torricelli.

Mr. TORRICELLI. Aye.

Mr. BRADY. Mr. Smith.

Mr. LAWRENCE SMITH. Aye.

Mr. BRADY. Mr. Berman.

Mr. BERMAN. Aye.

Mr. BRADY. Mr. Reid.

[No response.]

Mr. BRADY. Mr. Levine.

Mr. LEVINE. Aye.

Mr. BRADY. Mr. Feighan.

[No response.]

Mr. BRADY. Mr. Weiss.

Mr. WEISS. Aye, and I ask unanimous consent my statement be entered in the record.

Chairman FASCELL. Without objection.

Mr. BRADY. Mr. Ackerman.

Mr. ACKERMAN. Aye.

Mr. BRADY. Mr. MacKay.

Mr. MACKAY. Aye.

Mr. BRADY. Mr. Udall.

[No response.]

Mr. BRADY. Mr. Garcia.

[No response.]

Mr. BRADY. Mr. Broomfield.

Mr. BROOMFIELD. Aye.

Mr. BRADY. Mr. Gilman.

Mr. GILMAN. Aye.

Mr. BRADY. Mr. Lagomarsino.

Mr. LAGOMARSINO. Aye.

Mr. BRADY. Mr. Leach.

Mr. LEACH. Aye.

Mr. BRADY. Mr. Roth.

[No response.]

Mr. BRADY. Ms. Snowe.

[No response.]

Mr. BRADY. Mr. Hyde.

Mr. HYDE. Aye.

Mr. BRADY. Mr. Solomon.

Mr. SOLOMON. Aye.

Mr. BRADY. Mr. Bereuter.

Mr. BEREUTER. Aye.

Mr. BRADY. Mr. Siljander.



Mr. SILJANDER. Aye.

Mr. BRADY. Mr. Zschau.

Mr. ZSCHAU. Aye.

Mr. BRADY. Mr. Dornan.

[No response.]

Mr. BRADY. Mr. Smith of New Jersey.

[No response.]

Mr. BRADY. Mr. Mack.

[No response.]

Mr. BRADY. Mr. DeWine.

[No response.]

Mr. BRADY. Mr. Burton.

[No response.]

Mr. BRADY. Mr. McCain

[No response.]

Mr. BRADY. On this vote, 24 ayes and no nays.

Chairman FASCELL. The motion is agreed to, and the committee stands adjourned.

[The statement of Mr. Weiss follows:]

#### PREPARED STATEMENT OF HON. TED WEISS

I would like to thank our distinguished chairman, the gentleman from Florida, and the distinguished subcommittee chairman for moving forward expeditiously on this matter. I strongly support this motion.

This matter goes beyond partisanship. What is at stake is nothing less than the integrity of the legislative process. When we vote to authorize or appropriate funds, we have a duty, as part of our oversight responsibility, to see to it that the law is complied with. We can all agree on this, whatever our underlying views on the wisdom or morality of giving assistance to the Contras.

In this case, the administration has a corresponding and very specific duty. The law clearly requires the President to "establish appropriate procedures to ensure" that the assistance provided "is used only for the intended purpose and is not diverted . . ." But the General Accounting Office has told us that it simply cannot verify that any such procedures do exist.

This is an extraordinary situation. According to the GAO, no less than 63 percent of the taxpayers' dollars which were spent on this program were shipped off to certain identified bank accounts and then sent to—who knows where?

By approving this motion, we won't be able to clear up all of the manifold and persistent reports of illegal activities by the Contras which have surfaced in recent months—from theft and skimming and bribery to gun-running and drug dealing. Nor is it intended to accomplish this. But it does make a small but essential beginning.

The bottom line is this: we cannot send money into black holes in Miami or Central America and pretend that we know what policy, or what ends, we are ultimately subsidizing.

[Whereupon, at 3:05 p.m., the committee was adjourned.]



# HEARING ON REVIEW OF DOCUMENTS SUBPOENAED BY THE SUBCOMMITTEE REGARDING ASSISTANCE TO THE CONTRAS

WEDNESDAY, JUNE 11, 1986

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,  
*Washington, DC.*

The subcommittee met at 2:31 p.m., in room 2172, Rayburn House Office Building, Hon. Michael D. Barnes (chairman of the subcommittee) presiding.

Mr. BARNES. Ladies and gentlemen, the Subcommittee on Western Hemisphere Affairs will be in order.

We meet this afternoon to receive testimony from the General Accounting Office on its review of bank records submitted in response to the subpoenas authorized by the subcommittee on May 8.

As the members will recall, it has been estimated by GAO that some \$15 million of the \$27 million that the Congress authorized for so-called "humanitarian assistance" for the Contras has been deposited in bank accounts held by brokers, suppliers, or other individuals for the purpose of reimbursement for goods or services procured in Central America.

The GAO has testified that, from State Department records, it was unable to trace these funds from their deposit in the banks to their final destination.

Because of that problem, the subcommittee voted to subpoena the bank records. Although the subcommittee is still discussing compliance with two or three of these banks, I can say that most banks have cooperated and we have developed a substantial record.

## STATE DEPARTMENT FEELS CONGRESS DOES NOT NEED BANK RECORDS

The State Department has tried to tell us that we don't need these records. On May 22, Assistant Secretary Abrams sent a letter to Chairman Fascell, with a copy to me, which began:

As you know, the Department did not see a need for the Foreign Affairs Committee's recent subpoena of bank records for the accounts of Central American suppliers of goods purchased with grant funds from the Nicaraguan Humanitarian Assistance Office. We did not believe that the accounts would contribute substantially to information already available to the Congress.

I have received a lot of erroneous statements from this administration, but that one ranks right up there near the top. The information that the subcommittee has received in response to these

subpoenas surpassed frankly my worst fears. It can only be described as shocking.

#### STATE DEPARTMENT DECLINES INVITATION TO TESTIFY

Equally shocking is the fact that the State Department has declined an invitation to appear tomorrow before this subcommittee to respond to today's testimony. It claims that it has not had sufficient time to review the testimony. But one of two things has to be true.

Either the State Department did take care to monitor these funds, in which case it already knows everything that we found out from the subpoenas—or it did not monitor the funds in which case there has been a scandalous disregard for congressional restrictions and for the use of taxpayers' money.

In either case, it is inexcusable for the State Department to not appear before this subcommittee to answer for the use of these funds. My invitation remains open. The State Department may appear at its convenience.

Not only has the administration opposed this entire investigation from the outset, but we are now being asked not to disclose the results of the investigation. We are urged by the administration to hold this hearing in executive session. It is clear that the administration does not want the American people to know what was done with these funds that the Congress authorized for an overt program of supposedly humanitarian assistance.

I have taken the administration's arguments into very careful consideration, and I have concluded that the public's right to know about the very substantial misuse of taxpayer money that we are about to hear overrides the inconvenience that may be caused for those involved in the misuse of these funds.

It is important to remember that the CIA was prohibited by law from administering this program precisely because the Congress wanted it to be an overt program of strictly humanitarian assistance. To the extent that the funds did not go for that clearly stated purpose, the public and certainly the Members of Congress have the right to know about this.

#### CRIMINAL STATUTES MAY HAVE BEEN VIOLATED

Finally, let me say that I spoke yesterday to the Director of the Federal Bureau of Investigation and the Assistant Attorney General in charge of the Criminal Justice Division, and informed them that my preliminary findings from this investigation suggest a strong possibility that criminal statutes have been violated. I indicated that the subcommittee will turn all the material that we have pertaining to such possible violations over to the Department of Justice so that it can pursue a criminal investigation.

Before we welcome our witnesses this afternoon, I would recognize Mr. Lagomarsino, the distinguished ranking minority member of the subcommittee for any statement that he may wish to make.

Mr. LAGOMARSINO. Thank you, Mr. Chairman.

Mr. Chairman, in your statement, you alluded to a matter that I wrote to you about last week when we heard about this hearing;

this is perhaps not the time or place to argue whether we should have an open or closed meeting.

Here we are, it is an open meeting, but I am disappointed, and that is an understatement, that you didn't respond to my letter.

Mr. Chairman, there is a clear implication, and that is again an understatement, in these proceedings that the UNO leadership has been less than diligent in monitoring use of the humanitarian assistance, if not downright corrupt in its administration.

I wonder if the committee should not review the trip report of the Senate Intelligence Committee staffers which was published in the March 27 Congressional Record which concludes that record-keeping by the resistance is excellent.

I also would ask if all the members of the committee already reviewed the May 29 press communication of UNO which expresses strong support for an accounting practices to monitor the use of U.S. funds.

I would like to ask that those two documents be interred in the record at this point.

Mr. BARNES. Without objection, they will be included in the record.

[The information referred to follows:]

[From the Congressional Record—Senate, Mar. 27, 1986]

MARCH 18, 1986.

Subject: Trip Report, Staff Visit to Central America, March 13-16, 1986.

Submitted by: Jim Currie, Larry Kettlewell, and George Tenet.

The attached "substantive report" is submitted in accordance with committee rules. It consists of two parts: (1) an unclassified section with attached documents obtained while on the trip and photographs taken there and (2) a classified annex.

#### TRIP REPORT: INTELLIGENCE COMMITTEE STAFF VISIT TO THE CONTRAS

##### FOREWORD

Three professional staff members of the Senate Select Committee on Intelligence (Jim Currie, Larry Kettlewell, and George Tenet) spent March 15 and 16 on a visit to both civilian and military headquarters and field units of the Contra forces fighting against the current government of Nicaragua. These staff members did not go inside Nicaragua at any time during their trip. The material in this report is based upon their own observations, plus information supplied by both the Contras themselves and other sources. All information that is not based upon direct, personal observation is so identified.

##### VISITING THE CONTRAS

##### *Civilian Headquarters*

Staff members devoted Friday, March 15, to visits to the civilian headquarters and support facilities of UNO, the Unified Nicaraguan Opposition. There were visits to three different sites, including the main civilian headquarters, the communications headquarters, and the logistics headquarters.

Staff members were told of UNO efforts to emphasize proper treatment of civilians and prisoners by troops under their direction. Staff was also told that approximately 1,000 reports of Sandinista atrocities had been submitted to the headquarters of the Organization of American States over the past year and that the OAS has not even acknowledged receipt of these reports.

The facilities of each location were serviceable and appeared to be suitable to the accomplishment of the particular missions of each. The logistics headquarters records of weapons, ammunition, and other supplies. The records the staff viewed are detailed, showing quantities of each type of weapon in the warehouse, the quantity of ammunition on hand in the warehouse and committed to specific field units, with quarterly and yearly summaries.

The general observations made by the group were two: (1) The record-keeping was much better and more detailed than had been anticipated, both with regard to the ordnance and to rations. Though the staff group was always aware of the possibility of records having been "dummied" for the purpose of giving a false and enhanced impression, the group's judgment was that this was most unlikely. The records were too extensive for this to have been done easily, and there were all the signs of their having been compiled and used over a period of time (i.e., worn pages, erasures, different handwriting, different writing instruments). Furthermore, one member of the staff group observed at the UNO Command Headquarters one category of weapons in which the numbers were substantially the same as what had been observed in the logistics center records.

(2) The quantities of weapons and ammunition shown as on-hand revealed the types of anomalies that would be expected of an insurgent movement that has obtained weapons from many sources. The main assault weapon was the Soviet-designed AK-47, of which on paper there appeared to be an adequate number. The quantity of 7.62 x 39mm ammunition (AK-47) shown in the records was an impressive amount, though not enough for sustained combat operations over more than a few months. There were many "cats and dogs" shown in the records, that is, such a wide variety of weapons as to make the ammunition procurement and the operation of the logistics system quite complicated. There were also examples of small quantities of a particular weapon with large amounts of ammunition or large quantities of a particular type of weapon with little ammunition. The records showed obvious shortages of support-weapons, i.e., M-60 machine guns and ammunition and mortars of various calibers.

#### *Field Visits*

The staff group visited four areas in the field, devoting all day Saturday to this task. Places visited were the UNO Command Headquarters, a field hospital, the logistics center, and another hospital near the logistics center.

#### COMMAND HEADQUARTERS

The field headquarters consisted of wooden buildings and tents in an area which would be hard to approach on the ground without alerting the camp occupants. The buildings, which housed the headquarters and several of the staff sections, were constructed of rough-sawn boards which the staff was told the soldiers had made themselves from trees cut nearby and roughed out with a chainsaw. The staff observed the construction in progress on one building, with a soldier truing the board using a machete.

In the communication section, staff observed an operator receiving an incoming voice message of coded numbers off a one-time pad, transmitted from a task force in Nicaragua. Approximately 20 minutes later, what was said to be same message, decrypted and typed, was handed to the FDN Commander as the SSCI staffers sat with him in a briefing. Earlier, the staff had observed an operator in the communications center sending a message in Morse code, and staff was told that operator proficiency of 17 words per minute is achieved using that method of communication.

There were perhaps 200 or so FDN troops in the camp at the time of the staff visit. While staff was there, it was able to observe the pre-launch preparations of a reconnaissance patrol which being sent out to investigate a report of a Sandinista patrol in the area. The staff observed the patrol members, both men and women, being issued their basic load of ammunition, loading their gear, checking each other's equipment, and falling in for inspection. The patrol divided into two groups of perhaps 35-50 soldiers each, formed into ranks, and numbered off as someone the equivalent of an NCO called a roll.

Weapons carried by the patrol members were primarily AK-47 assault rifles, with Belgian-designed FALs making up the balance. The FALs, the group was told, are used to lay down a base of fire during initiation of contact. Other weapons in evidence were H & K 40mm grenade launchers. Chinese versions of the Soviet-designed RPG-7 (a light anti-tank weapon), and standard fragmentation hand-grenades. Each patrol member was carrying a field pack, personal first aid kit, and canteen. The area in which they were operating was quite dusty, but a random examination of half a dozen magazines taken from the assault rifles showed no evidence of dirt or corrosion. The individual rounds could be taken easily from the magazine and reinserted. Cleaning fluid in use appeared to be a mixture of diesel fuel and some other substance, but whatever it was, it appeared to work. Staff was able to observe cleaning rags stuffed in the stocks of numerous personal weapons, leaving the impression that weapons cleaning was a part of the individual soldier's routine.

Troops were observed close-up. Some, according to appearance and what they said, were as young as thirteen years of age. In response to a staff question, an FDN officer stated that individuals that young were not allowed to join the force unless accompanied by an older relative such as a father or brother. There were a number of young women in the group who were carrying the same weapons, equipment, and packs as the men. Most soldiers appeared to be in their late teens or early twenties, but given staff inexperience in judging the ages of Central American campesinos, the average age could well be higher.

There were two older men who serve as armorers for the group, and they were observed at work cleaning, repairing, and cannibalizing weapons for parts. There was a large pile—perhaps several hundred or more—or unserviceable weapons, largely Spanish copies of the West German G-3 assault rifle, plus assorted AKs, some U.S. Army M-1s, and at least one U.S. Army M-14. Staff was told that the G-3 has not proven serviceable under field conditions, and other sources confirmed that the Spanish copy wears out quickly because of the heavier powder load of the standard NATO round.

The visiting staff was then given an operations briefing at the command headquarters. Staff was shown a detailed operational map, with plots of Sandinista order-of-battle information, and overlays of current Contra operations and locations. Other sources confirm the overall accuracy of the information presented to the staff.

Current operations inside Nicaragua, according to information given in the above mentioned briefing, are being conducted by 6,000 soldiers of the Jorge Salazar Task Forces I, II, and III who have been inside Nicaragua for over a year, plus 3,500 members of at least five other task forces that have succeeded in reinfiltrating into Nicaragua in recent weeks. These 3,500 soldiers are on their way toward ten well-defined objectives, which were indicated on the situation map.

One of the task forces, according to the briefing, has met with such substantial Sandinista opposition that it has taken an alternative route toward its objective; another has been unable to push through a Sandinista blocking force on the way to its objective, and fighting was going on there. Another had nearly reached its objective, according to the briefing. Staff was also told of a recent attack (unconfirmed by other sources) on a government-owned tobacco warehouse in the northwestern part of Nicaragua in which the Contra forces succeeded in destroying a large quantity of tobacco.

SSCI staff were told that headquarters staff positions are not occupied permanently by the same officer, but are rotated among individuals who are back from the field, some of them recovering from wounds. Among the staff section chiefs was "Mike Lima," who lost an arm in the fighting.

Refugees, according to statements made in the Field Headquarters, are extensive in the area. Unconfirmed statements were that approximately 40,000 refugees are currently in the vicinity of the headquarters and that 18,000 of these had followed the Contras out of Nicaragua when they withdrew this past year for lack of supplies.

#### MILITARY TRAINING CENTER

During the past six months, according to information given the staff by the FDN Commander and confirmed by other sources, the contras have constructed a training center at which several military courses are taught. This was accomplished during the time when supplies were in short supply and troops had to be withdrawn from Honduras. The SSCI staff visited this facility, which goes by the acronym "CIM." It is constructed on three terrain levels, and there was evidence of proper attention to perimeter defensive needs, such as a comprehensive system of trenches and foxholes appropriately sited to protect the facility.

The camp is well-appointed with various training aids and devices, including a rappelling tower about 40 feet high, which staff saw demonstrated, a small arms range, an obstacle course, what appeared to hand grenade pits, plus a drill field. There are some wooden buildings with the same construction as at the HQ, housing a communications section, a training library, a chaplain, and a training headquarters. The director of the CIM is known as "Commandante Mack," and he told the staff that he had been a sergeant in the Guardia Nacional before the revolution. He states that he had received training in Lancera, the Colombian Jungle Warfare School.

Courses of instruction offered at the CIM, according to briefings and course materials obtained by staff, include what might be termed "Basic Officer Training," consisting of 250 hours of instruction in 5 weeks; "NCO Training," consisting of 300 hours in 6 weeks; "Basic Infantry Training," consisting of 200 hours in 4 weeks; and

"Artillery Training," meaning all indirect fire weapons, taught in 200 hours over 4 weeks.

Troops in training at the center, staff was told, numbered approximately 900 men and women, and consisted of both experienced and new recruits. Staff was able to observe perhaps 500-600 troops there. Other troops were engaged in small arms training being conducted at a nearby range. Trainees were for the most part clad in uniforms consisting of very heavy, olive drab fatigues, and all the men had their hair cropped short. Staff observed them engaged in physical training, which they were told was the prescribed course of instruction for a Saturday. Staff was told, and had confirmed from other sources, that this was the second group of trainees, and that this group was in its second week of instruction. The first training session has resulted in the graduation of 1,200 soldiers.

Staff observed a bulletin board with UNO declarations posted, including the listing of UNO objectives. There were also a dozen or so sets of "orders" posted, listing court martials conducted against Contra troops for specific violations of articles of war.

Staff observed evidence of close-order drill practice among the 500-600 troops who assembled on the drill field. Upon command, for example, troops executed "open ranks" across a front of perhaps fifty individuals. NCOs and officers were clearly in charge of the trainees, and there was proper military courtesy (coming to attention and saluting) as appropriate. Altogether, the impression at the CIM was one of order, planning, and appropriate training.

#### FIELD HOSPITAL

The staff then visited a nearby field hospital, which consisted of one permanent structure and several tents. There was one person there identified as the doctor, plus several nurses. The hospital has one operating room and perhaps three dozen beds. In his briefing, the man identified as the doctor stated that people treated there include both combatants and civilians. The civilian patients include both dependents of Contra troops and locals. There was one infant at the facility and a young boy of perhaps six who had an eye injury. Several patients were being administered intravenous dextrose solution. Most of the combat wounds, according to the doctor there, were in the extremities; he said that those wounded in the chest or abdomen did not often survive to reach the hospital. He also stated that there were surprisingly few post-op infections, although he could not offer any explanation for this situation.

#### LOGISTICS CENTER AND HOSPITAL

Staff members then visited the primary logistics center for the contras. The main impression there was of both organization and great need. The warehouses were well-organized, with supplies stacked or palletized and prepared for airdrop. The most evident need was for aircraft. There was at this location a DC-6 configured for cargo. It was in evident need of repair; one tire was so bad that it could not fly until a spare was obtained. A DC-3 was at the center, but confirmed information was that it had not been able to fly in a year. Other unserviceable aircraft, including two OV-2 push-pulls, were in evidence, as was one small twin-engine Beechcraft Queen Air which belongs to the UNO.

The runway at this facility is rock-surfaced and not suitable for extensive operations. The Contras have four parachute riggers here and would require about thirty if resupply were to be attempted deep into Nicaragua to a substantial number of troops. Staff judgment based upon visiting this facility is that heavy aerial delivery capability is presently non-existent. This would have to be an area of prime attention if significant additional aid were to reach the Contras.

The hospital here is larger and better equipped than the previously-mentioned field facility, but it is still primitive by U.S. standards. There are two medical doctors here, one of whom stated that he had served with the Sandinistas during the revolution and had continued to serve with them until about three years ago. At that time, he stated, he raised objection to the Russian military advisors coming in and claiming to be medical personnel. He was accused of having a "counterrevolutionary attitude" and was told he would need re-education. He fled to the United States, he said, and then returned to work for the Contras. He stated that he was a urologist by training.

Many of the humanitarian medical supplies furnished by the United States under the present program are stored here at this hospital, stacked under tents. On the shelves of the pharmacy are supplies of bandages, ointments, and antibiotics (outdated ampicillin), plus a large supply of Tylenol capsules. There was no way of de-



termining which of these supplies were furnished through the present humanitarian assistance program and which had been acquired from other sources. There were perhaps a dozens beds at this facility, which has recently acquired an x-ray machine as part of the humanitarian aid program. The machine had just arrived and was not operational. As at the field hospital, the doctors here stated that soldiers with wounds other than in the extremities did not usually survive the trip out of Nicaragua to get to this point. There was also a fear that the Sandinistas might decide to take out this facility, which they could certainly do with their MI-24s.

#### PHOTOGRAPHS

Staff members took photographs of the facilities they visited and will make these a part of the record and of the trip report.

#### CONCLUSIONS

The contributing staff members do not take a position in this report as to the desirability of U.S. assistance to the Contras and do not present this topic as one for them to comment upon here. They are unanimous in stating, however, that decisions about the desirability of such assistance should be made with the best and latest information at hand. Overall observations, based upon what was seen while visiting the Contras are that, first, it is a well-organized fighting force, and not a "rag-tag bunch of refugees sitting around in camps getting fat off of U.S. largesse," as portrayed in some accounts. Second, the military appearance of the Contras, and all of the outward signs that were observable by the visiting staff, indicate a clear understanding of the task at hand and motivation required to fight the Sandinistas. Military objectives were well-defined, reasonable, and presented in logical fashion. Third, there is an obvious need for continued external assistance if the Contras are going to present a continuing significant military challenge to the Sandinistas. There is both lethal and non-lethal material in existence, but if the quantities indicated on the inventory reports are accurate, it will not last more than a few months. Fourth, at every facility visited there was a sense of order and organization that belies the press reports of chaos among the Contras.

Finally, it should be pointed out that no Congressional delegation-staff or Member-led has ever been to all of the areas visited by the SSCI group, according to information given the visiting staff members.

May 29, 1986

UNITED NICARAGUAN OPPOSITION COMMUNIQUE

THE UNITED NICARAGUAN OPPOSITION (UNO) REAFFIRMS ITS COMMITMENT TO THE NICARAGUAN PEOPLE TO OBTAIN THEIR LIBERATION, AND VALUES WITH DEEP RESPECT THE SACRIFICES OF THOSE WHO FIGHT WITHIN THE NATIONAL TERRITORY, BY MILITARY OR CIVIC MEANS, SO THAT THIS COMMITMENT BECOMES A REALITY.

THE END TO THE NICARAGUAN DIASPORA WILL COME WITH NATIONAL RECONCILIATION. UNTIL THAT DAY ARRIVES, UNO URGES THE AUTHORITIES OF THE COUNTRIES WHERE THERE ARE NICARAGUAN REFUGEES AND EXILES TO CONSIDER FAVORABLY THEIR IMMIGRATION AND WORK STATUS.

DIRECTORS ALFONSO ROBELO, ADOLFO CALERO, AND ARTURO J. CRUZ, ASSISTED BY LEONARDO SOMARRIBA, GENERAL SECRETARY, AND EVENOR VALDIVIA, COORDINATOR, HAVE CONCLUDED A SERIES OF WORKING SESSIONS DURING WHICH THE PRINCIPLES, OBJECTIVES, AND ORGANIZATION OF UNO WERE DISCUSSED. THE DIRECTORATE HAD THE BENEFIT OF INFORMATION AND ADVICE PROVIDED BY ORGANIZATIONS AND INDIVIDUALS AT PRIVATE MEETINGS.

THE AGENDA CONSISTED OF THREE PARTS:

- I. INTERNAL ORGANIZATION AND STRUCTURE.
- II. POLITICAL ANALYSIS AND THE ROLE OF UNO IN THE CURRENT SITUATION.
- III. ALLEGATIONS OF ARMS AND DRUG TRAFFICKING, TERRORISM, AND MISHANDLING OF RESOURCES.

THE FOLLOWING RESOLUTIONS WERE MADE:

INTERNAL ORGANIZATION AND STRUCTURE:

1. ALL POLITICAL, POLITICAL-MILITARY, LABOR, AND BUSINESS ORGANIZATIONS FORMING THE ALLIANCE HAVE CONFIRMED THEIR RECOGNITION OF THE DIRECTORATE AS THE BODY RESPONSIBLE FOR CONDUCTING THE STRUGGLE TO ACHIEVE PEACE AND DEMOCRACY IN NICARAGUA.

2. THE DIRECTORATE IS A COLLEGIAL BODY OF THREE EQUALS. FOR PURPOSES OF PROTOCOL, AN ORDER OF PRECEDENCE WAS ESTABLISHED WHICH WILL ROTATE EVERY MONTH AND HAS BEGUN WITH DIRECTOR ALFONSO ROBELO.

3. THE DIRECTORATE HAS ESTABLISHED A FUNCTIONAL AND DEMOCRATIC DECISION-MAKING PROCEDURE IN ORDER TO IMPROVE THE EFFECTIVENESS OF THE ORGANIZATION. THIS PROCEDURE TAKES INTO CONSIDERATION THE FUNDAMENTAL OBJECTIVE OF THE STRUGGLE, THE FINAL AUTHORITY OF THE DIRECTORS, AND ASSURES FAIRNESS AND EXPEDIENCY.

4. THE ORGANIZATION WILL IMMEDIATELY ESTABLISH A CONSULTATIVE ASSEMBLY INTEGRATED BY POLITICAL, LABOR, AND BUSINESS ORGANIZATIONS REPRESENTATIVE OF THE NICARAGUAN CIVIL SOCIETY. THIS CONSULTATIVE BODY WILL ASSURE A DEMOCRATIC PROCESS. THE PERMANENT ADVISORY COUNCIL HAS BEEN RESTRUCTURED AND IS NOW COMPRISED OF ELEVEN PROMINENT PERSONS. WE WILL REQUEST THE PARTICIPATION OF QUALIFIED NICARAGUANS FOR MEMBERSHIP IN COMMISSIONS AND WORKING GROUPS.

5. THE GENERAL SECRETARIAT IS THE BODY RESPONSIBLE FOR IMPLEMENTING THE POLICIES AND DIRECTIVES OF THE ORGANIZATION. ITS INTERNAL STRUCTURES HAVE BEEN STRENGTHENED TO INCREASE ITS EFFECTIVENESS IN THE AREAS OF NATIONAL AFFAIRS, INTERNATIONAL RELATIONS, AND FINANCIAL AND ADMINISTRATIVE CONTROLS.

6. THE AUTONOMY AND OBJECTIVITY OF THE HUMAN RIGHTS COMMISSION WILL ALSO BE STRENGTHENED BY INCORPORATING THREE NON-NICARAGUAN MEMBERS OF PROVEN HUMANISTIC VOCATION TO ITS BOARD OF DIRECTORS. PREFERABLY, ONE LATIN AMERICAN, ONE NORTH AMERICAN, AND ONE EUROPEAN WILL BE INVITED TO PARTICIPATE.

7. UNO WILL PERSIST IN SEEKING WAYS TO UNITE WITH OTHER ORGANIZATIONS AND WELL KNOWN FIGURES OF THE NICARAGUAN RESISTANCE MOVEMENT.

8. REGARDING MILITARY MATTERS, THE INTEGRATION OF ALL REBEL FORCES INTO ONE ARMED ORGANIZATION UNDER THE CIVILIAN AUTHORITY OF UNO HAS BEEN ESTABLISHED AS AN OBJECTIVE SO THAT NO MEMBER OF THE ALLIANCE HAS AN ARMY. TO REACH THIS OBJECTIVE, THE FOLLOWING HAS BEEN DECIDED:

A) TO CONSTITUTE A MILITARY COMMISSION HEADED BY THE DIRECTORATE THAT WILL INCLUDE THE COMMANDERS OF THE THREE FRONTS: UNO-SOUTH, UNO FDN AND UNO-KISAN.

B) TO CREATE A SECRETARIAT FOR MILITARY AFFAIRS, WITHIN THE GENERAL SECRETARIAT, HEADED BY A QUALIFIED CIVILIAN WHO WILL BE THE LIAISON BETWEEN THE DIRECTORATE AND THE MILITARY STRUCTURES.

C) TO CONSOLIDATE INTO ONE STRUCTURE THE SUPPORT SERVICES OF THE INDIVIDUAL FRONTS.

D) THE USE AND DISPLAY OF UNO SYMBOLS AND EMBLEMS BY ALL FORCES.

E) TO CONTINUE OFFERING GENERAL EDUCATION COURSES AND CLASSES IN CIVIC DUTIES AND RESPECT OF HUMAN RIGHTS TO COMPLEMENT MILITARY INSTRUCTION.

# I. POLITICAL ANALYSIS:

WITH RESPECT TO THE ROLE OF UNO IN THE CURRENT POLITICAL SITUATION, A POSTURE WAS AGREED TO, WHICH IS REFLECTED IN THE FOLLOWING:

1. UNO REITERATES ITS SUPPORT OF THE PROPOSAL MADE BY SIX NICARAGUAN POLITICAL PARTIES TO THE SANDINISTA REGIME AND ENDORSED BY THE MEMBER ORGANIZATIONS OF THE NICARAGUAN DEMOCRATIC COORDINATING ORGANIZATION (COORDINADORA), AS WELL AS EXILE ORGANIZATIONS. THIS PROPOSAL WOULD SERVE TO INITIATE A PROCESS OF NATIONAL RECONCILIATION AND DEMOCRATIZATION.

2. UNO REASSERTS ITS TWO TRACK POLICY - CIVIL AND MILITARY - AS THE MEANS TO FORCE THE SANDINISTA REGIME INTO A REAL SOLUTION. THEREFORE, UNO CONSIDERS THAT AID FOR MILITARY PURPOSES IS VITAL. CONSEQUENTLY, IN THE EVENT A PEACE AGREEMENT IS REACHED, UNO DEMANDS THAT AID FOR POLITICAL ACTION, FOR NON-LETHAL MATERIAL, AND FOR DEFENSIVE WEAPONS BE MAINTAINED UNTIL THERE IS UNEQUIVOCAL VERIFICATION THAT PEACE HAS BEEN SECURED.

3. UNO EXPRESSES CONFIDENCE IN THE FOUR CENTRAL AMERICAN GOVERNMENTS THAT HAVE BEEN DEMOCRATICALLY ELECTED AND HAVE ASSUMED A CENTRAL ROLE IN SEEKING A DEMOCRATIC SOLUTION GUARANTEEING PEACE IN NICARAGUA AND NOT A MERE TRUCE. THE LATTER WOULD ONLY ENSURE CONSOLIDATION OF THE REPRESSIVE MILITARY REGIME.

4. UNO CONSIDERS THAT ITS OBJECTIVE AND IDEALS FOR NICARAGUA COINCIDE NOT ONLY WITH THE DEMOCRATIC SPIRIT OF THE PEOPLES OF THE HEMISPHERE, BUT ALSO WITH THEIR GEOPOLITICAL INTERESTS AND THEIR RIGHT TO A COMMON DEFENSE OF THE SECURITY OF THE CENTRAL AMERICAN ISTHMUS. AT THE SAME TIME, UNO REAFFIRMS ITS NATIONALISM AND INDEPENDENCE, WHILE ACKNOWLEDGING WITH GRATITUDE THE SUPPORT IT HAS RECEIVED FROM THE UNITED STATES AND THE PEOPLES OF THE FREE WORLD.

5. BECAUSE IT IS CONGRUENT WITH ITS OWN POLICIES, AS MANDATED BY NICARAGUAN INTERESTS, UNO SHARES THE POSITION OF THE U.S. ADMINISTRATION BY SUPPORTING A SOLUTION TO THE CONFLICT IN CENTRAL AMERICA, WITHIN THE CONTEXT OF THE CONTADORA AGREEMENT, THAT IS COMPREHENSIVE, SIMULTANEOUS, AND VERIFIABLE.

## II. PRESS ALLEGATIONS:

1. THE NEWS MEDIA HAVE DISSEMINATED PUBLICATIONS ATTACKING UNO, ON ARMS AND DRUG TRAFFICKING, TERRORISM, AND MISAPPROPRIATION OF FUNDS. SUCH ALLEGATIONS ARE TOTALLY UNFOUNDED AS HAS BEEN DEMONSTRATED IN PUBLIC REPORTS BY U.S. GOVERNMENT OFFICIALS. IT IS SUFFICIENT TO READ OBJECTIVELY THE FOLLOWING DOCUMENTS TO CONCLUDE THAT THE ALLEGATIONS OF IMPROPER USE OF FUNDS ARE WITHOUT MERIT:

A. MEMORANDUM DATED APRIL 1, 1986 FROM AMBASSADOR ROBERT W. DUEMLING TO ASSISTANT SECRETARY OF STATE FOR LATIN AMERICAN AFFAIRS, MR. ELLIOTT ABRAMS. AMBASSADOR DUEMLING IS THE DIRECTOR OF NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE (NHAO), THE OFFICE OF THE STATE DEPARTMENT THAT IS IN CHARGE OF ADMINISTRATING THE AID.

B. LETTER OF APRIL 4, 1986 FROM ASSISTANT SECRETARY ABRAMS RESPONDING TO SENATOR TOM HARKIN, IN WHICH HE ATTESTS TO THE CORRECT USE OF FUNDS AND THE INTEGRITY OF THE DIRECTORS AND OFFICIALS OF UNO.

C. ARTICLE WRITTEN FOR THE MAY 4, 1986 EDITORIAL SECTION OF THE MIAMI HERALD, AND REPRINTED IN SEVERAL OTHER NEWSPAPERS, IN WHICH MR. ABRAMS REITERATES HIS CONFIDENCE IN UNO AS THE VEHICLE OF THE RESISTANCE IN THE STRUGGLE FOR DEMOCRACY.

2. CONTRASTING WITH THE ABUNDANCE OF IRREFUTABLE EVIDENCE ATTESTING TO UNO'S CORRECT HANDLING OF THE RESOURCES, NO ONE HAS EVER PRODUCED A SINGLE SHRED OF EVIDENCE TO SUPPORT THE ALLEGATIONS OF MISHANDLING. LIKEWISE, THOSE WHO HAVE SLUNG A LITANY OF MALICIOUS INSINUATIONS REGARDING ARMS AND DRUG TRAFFICKING - AND TERRORISM - HAVE BEEN UNABLE TO PRESENT ANY EVIDENCE TO SUPPORT THEIR ALLEGATIONS.

UNO PUBLICLY CHALLENGES ITS DETRACTORS TO BACK UP THEIR ALLEGATIONS OR OTHERWISE TO PUBLICLY RETRACT THEM AS WOULD BE FITTING OF HONEST PERSONS.

3. THE SLANDEROUS CAMPAIGN ORIGINATED WITH THE DISTORTIONS OF THE U.S. GENERAL ACCOUNTING OFFICE (GAO) REPORT DATED MARCH 5, 1986. THE GAO ONLY POINTED OUT THAT NHAO, WHICH IS THE AGENCY RESPONSIBLE FOR THE ADMINISTRATION OF THE AID, CANNOT FULLY ESTABLISH, ACCORDING TO ITS OWN STANDARDS, A COMPLETE AUDIT TRAIL FOR PURCHASES OUTSIDE THE UNITED STATES. THE NICARAGUAN RESISTANCE MOVEMENT SHOULD NOT BE BLAMED FOR THIS LIMITATION, AND IT IS REPREHENSIBLE TO USE THIS TO DISCREDIT UNO. SINCE THIS DIFFICULTY DOES NOT EXIST FOR TRANSACTIONS WITHIN THE UNITED STATES, GAO WAS ABLE TO CONDUCT A COMPLETE AUDIT OF THE OPERATIONS IN NEW ORLEANS WHERE EVERYTHING WAS FOUND TO BE IN ORDER.

EVEN THOUGH UNO IS NOT RESPONSIBLE FOR THE LIMITATIONS OF AGENCIES OF THE UNITED STATES GOVERNMENT, IT IS URGING THE ADOPTION OF APPROPRIATE MEASURES TO PREVENT BEING QUESTIONED IN THE FUTURE DUE TO CAUSES BEYOND ITS CONTROL. ALONG THESE LINES, UNO HAS INDICATED IN LETTERS MAILED TO NHAO AND GAO, DATED MAY 19 AND MAY 26, RESPECTIVELY, THE NEED TO DEMARCATe AREAS OF RESPONSIBILITY. UNO CONSIDERS THAT PRIMARILY, IT SHOULD BE THE RESPONSIBILITY OF U.S. AGENCIES TO ENSURE THE EFFECTIVENESS OF APPROPRIATE VERIFICATION MECHANISMS. UNO WILL CONTINUE, HOWEVER, TO MAINTAIN ITS OWN PARALLEL CONTROLS.

4. UNO, AS A PUBLIC NICARAGUAN ORGANIZATON, REASSERTS ITS RESPONSIBILITY TO CONTINUE HANDLING EVERYTHING RELATED TO THE LIBERATION EFFORT, APPLYING THE HIGHEST STANDARDS OF CONDUCT AND PROCEDURES. IN THAT SPIRIT, UNO REITERATES ITS WILLINGNESS TO ACCEPT, AND WELCOMES THE NECESSARY SCRUTINY ON THE PART OF THE CONTRIBUTORS AND OF APPROPRIATE NICARAGUAN ORGANIATIONS.

5. UNO HAS ADOPTED MEASURES TO STRENGTHEN ITS INTERNAL STRUCTURE REGARDING MANAGEMENT, CONTROL, AND AUDITING. IN ADDITION, UNO REQUESTS FROM THE NICARAGUAN PROFESSIONAL ASSOCIATIONS THAT THEY SUBBMIT A LIST OF CANDIDATES TO FORM A COMMISSION CONSISTING OF ONE LAWYER, ONE MANAGER/ADMINISTRATOR, AND ONE PUBLIC ACCOUNTANT, NOT ASSOCIATED WITH UNO, TO REVIEW AND MAKE RECOMMENDATIONS ON THE RESOURCE COLLECTION MECHANISMS, THE ACQUISITION AND USE OF GOODS AND SERVICES, AND APPROPRIATE INFORMATION SYSTEMS. THIS REPORT WILL BE MADE PUBLIC.

THE SPIRIT OF THE MEETINGS HAS BEEN TO REASSERT A CLEAR DEFINITION OF THE ALLIANCE WITH RESPECT TO ITS STRUCTURES AND FUNCTIONING IN ORDER TO BETTER REACH ITS OBJECTIVES, ON WHICH THE DIRECTORS ARE IN COMPLETE AGREEMENT.

GOD WILLING, WE WILL SAVE NICARAGUA

MIAMI, FLORIDA MAY 29,, 1986.

ADOLFO CALERO

ALFONSO ROBELO

ARTURO J. CRUZ

## SENATE INTELLIGENCE COMMITTEE STAFF REPORT

**Mr. LAGOMARSINO.** Mr. Chairman, I would like to read from the Senate committee staff report just two brief excerpts:

The general observations made by the group were two: One, the recordkeeping was much better and more detailed than had been anticipated both with regard to the ordinance and rations, though the staff group was always aware of the possibility of records having been dummied for the purpose of giving a false and enhanced impression.

The group's judgment was that this was most unlikely. The records were too extensive for this to have been done easily and all signs were of having been complied with and used over a period of time, that is worn pages, erasures, different handwriting, different writing instruments.

Furthermore, one member of the staff group observed that the UNO command headquarters had one category of weapons in which the numbers were substantially the same as what had been observed at the logistics center record.

In conclusion, our overall observation, based upon what was seen while visiting the Contras are that first it is a well-organized fight force and not a rag-tag bunch of refugees sitting around in camps getting fat off U.S. largesse as portrayed in some accounts.

Thank you, Mr. Chairman. I would like to say also with respect to the State Department's position, they didn't receive the testimony, the proposed testimony until I understand 12 today. So I think it is understandable they might want to have a little time to review that. They are willing, I am told, to testify when they have had a chance to do that.

**Mr. BARNES.** Well, I am pleased to hear that the State Department is prepared to testify at a later date. We will certainly schedule a meeting of the subcommittee to hear their testimony whenever they are prepared to present it.

Let me say with respect to the issue of closed session, any member of the subcommittee may move to close the meeting at any time that he feels that that would be appropriate.

If there are no additional opening statements, we will welcome Mr. Conahan before the subcommittee.

Let me say again that whatever one's view of the issues before the subcommittee, I think we can all agree that the General Accounting Office auditors who have been working on this issue have done their usual professional job of reviewing enormous amounts of material and we are very grateful to you, Mr. Conahan and Mr. McCracken and the others who have undertaken this work.

It is difficult work, some of the documents are difficult to read, but you have done an excellent job and we appreciate it. We are grateful That you are here this afternoon. Welcome.

**STATEMENT OF FRANK C. CONAHAN, DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY PATRICK M. McCracken, EVALUATOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GENERAL ACCOUNTING OFFICE**

**Mr. CONAHAN.** Thank you, Mr. Chairman.

I have a statement that runs about seven pages and I would like to go through the entire statement because I believe it contains information necessary to put in context some of the material that we present towards the end of the statement.

#### THE STATE DEPARTMENT CANNOT ENSURE PROPER USAGE OF FUNDS

As you know, our previous testimony before this subcommittee focused on our concerns about the controls exercised over this program by the State Department's Nicaraguan Humanitarian Assistance Office [NGAO]. Overall, we have concluded that the State Department does not have sufficient procedures and controls to ensure that program funds are being used for purposes intended by law.

That conclusion remains, Mr. Chairman.

NHAO does not have the ability to observe delivery and use of procured items to ensure that the items are not being diverted, bartered, or otherwise exchanged. Moreover, for items bought in the region, NHAO does not have the ability to validate invoice and receipt documents.

As I have said earlier to this panel, we are generally satisfied with controls over payments to U.S. suppliers. However, NHAO does not have procedures to assure that all funds made available based on invoices and receipts from suppliers in the region are actually used to pay these suppliers.

Today I would like to concentrate on our most recent efforts to track expenditures for purchases made in the region; that is, the results of our examination of bank records subpoenaed several weeks ago at the request of this subcommittee. But first I will briefly describe how State has been paying for the non-U.S. purchases.

#### REVIEW OF PAYMENT PROCESS FOR NON-U.S. PURCHASES

The assistance office obtains invoices and receipts as documentation of purchases made in the region. These documents are obtained by the assistance office through the United Nicaraguan Opposition in Miami.

Before it authorizes payment, the assistance office reviews them to ensure that the items are allowable under the program. However, because the assistance office does not have a presence in the region, it is not able to verify the validity of the documents—that is that they are legitimate records of transactions, and that items indicated are being delivered to the resistance forces.

After the assistance office approves the invoices and receipts, it issues a payment voucher, and the U.S. Treasury then transfers the funds. Because of the sensitivities of governments in the region to this program, State adopted a policy of not making payments directly to suppliers in the region. Instead, the Treasury sends the funds to designated U.S. bank accounts, mostly in Miami.

There are two types of accounts: First, accounts owned by suppliers; and second, accounts owned by brokers authorized by suppliers in the region to act as their agents to receive payments.

The brokers are, in turn, expected to pay these suppliers for the goods and services shown on the invoices and receipts provided to the assistance office. According to NHAO, some suppliers selected brokers to receive their payments because the suppliers did not maintain their own U.S. bank accounts.

As of May 10, 1986, Treasury paid a total of \$14.1 million to these accounts, including \$7.8 million paid into 6 accounts owned



by suppliers, and \$5.7 million into 6 accounts owned by brokers acting as agents for about 50 suppliers. In addition, two accounts owned by United Nicaraguan Opposition organizations received payments of \$583,000 for administrative, medical and other expenses; some of which were incurred in the region.

The assistance office does not have specific information on the disbursement of funds deposited in these accounts. Its position is that the Treasury payments were made into the accounts for goods and services as shown in the invoices and receipts it obtained, and that it has no authority to trace the funds further.

On May 8, 1986, at this subcommittee's request, the House Committee on Foreign Affairs approved issuance of subpoenas on 14 U.S. bank accounts which had received funds under the Humanitarian Assistance Program—the six accounts owned by suppliers, the six accounts owned by brokers, and the two accounts owned by the UNO organizations.

#### SUMMARY OF GAO REVIEW OF SUBPOENAED DOCUMENTS

At the subcommittee's request, we are examining the account records. As of June 9, 1986, we had reviewed the records of eight accounts covering \$12.2 million of the \$14.1 million, which Treasury had deposited as of May 10 in those accounts. Our examinations have raised a number of questions.

For example, under a broker arrangement, one would expect to find disbursements from the account to the region in amounts roughly equal to Treasury deposits—either payments to specific suppliers or block payments to the region for further distribution there.

However, we did not find this pattern with regard to most of the funds in the four accounts we analyzed. As of May 10, 1986, the Treasury paid about \$4.4 million into these four broker accounts. However, we can trace only \$785,674 as being paid into Central America by these brokers and only \$185,434 of this amount being paid to identified suppliers.

Instead, most funds in these broker accounts were disbursed in the United States or to offshore banks. A significant portion of one broker account was not paid out and remained in the account.

At this point, Mr. Chairman, I would like to describe in some detail the activity in several of the accounts we examined and to raise some concerns that we have based on our review.

Treasury paid one broker account about \$654,000 based on invoices and receipts received from three suppliers in the region. Prior to these payments, the account had a \$4,400 balance; no other funds have been deposited in this account since Treasury started making payments. Thus, virtually all the funds in this account are traceable to U.S. Treasury payments.

The bulk of these funds have not been sent to the specific suppliers, or into the region. As of the subpoena date, over \$422,000 remained in the account, drawing interest. Partial payments were made to two of the three suppliers; the third supplier received no payments.

In total, only \$185,000 of the \$654,000 deposited by Treasury was transferred to suppliers in the region. This account raises key ques-

tions: Why are humanitarian funds remaining in the brokers' account? Why are partial or no payments being made to identified suppliers in the region?

Another broker account has received about \$3.3 million from the Treasury since October 1985. At the time of the first Treasury deposit, the account had a balance of \$68,700 and from October through May 1986 received deposits from other sources, totaling \$659,581. Thus, Treasury deposits comprise over 80 percent of the account's funds.

The Treasury payments to this account were based on invoices and receipts from 22 different companies or individuals. We could match none of the disbursements from this account to these companies or individuals.

The records indicate that only about \$150,000 was paid from this account to accounts in Central America. The other disbursements from this account, totaling \$3.8 million, consist of payments to companies and individuals in the United States—\$3.4 million—and to offshore accounts in the Cayman Islands and the Bahamas—\$380,000.

Essentially, funds in this account are flowing from bank account to bank account, in the United States and offshore, and to individuals and companies which do not appear to be suppliers in the region. Since broker accounts were supposedly set up to assist in getting payments to these suppliers, this account raises questions about why so few payments are being sent into the region.

On November 4, 1985, a third broker account received a Treasury payment of \$243,750 based on invoices and receipts from a commercial supplier for uniforms. At the time of this deposit, the account had a prior balance of about \$47,000. On November 6, 1985, the broker issued checks to the armed forces of a country in the region in the amount of \$113,750 and \$130,000, totaling \$243,750—the exact amount of the payment by Treasury.

The account records show only two payments to the supplier represented by the broker totaling about \$52,000. These payments were in July 1985—before the assistance program began. We question the basis for these payments to the armed forces.

Turning now to a supplier account—that is, a company in the region which maintains an account in the United States and, thus, receives payments directly from the U.S. Treasury. This supplier has received payments from Treasury of about \$6.6 million from November 1985 through May 10, 1986.

These payments were based on company invoices and receipts furnished to the assistance office. The only other deposit to the account during this period was for \$32,000. Thus, virtually all payments made from this account were funds provided the company by the Treasury.

Treasury made its first payment to the company of \$896,122 on November 16, 1985, and on November 18, 1985 a payment of \$742,939 was made from this account to the armed forces of the country of the supplier. Again, on January 8, 1986, a Treasury deposit of \$411,974 was followed by a payment on January 10, 1986 of \$450,000 to the commander-in-chief of that country's armed forces. Without Treasury's payments, there would have been insufficient

funds in the account at the times of these transactions to cover the amounts of the payments.

The invoices and receipts on which the Treasury payments to the account were based show they were for food and other consumables. A question is thus raised as to the basis for these payments to the armed forces.

In summary, Mr. Chairman and members of the subcommittee, the examination of the bank records has for the most part only raised more questions. Moreover, there is enough evidence to be concerned that humanitarian assistance may not be reaching the intended beneficiaries. Without adequate controls—and by that I mean mechanisms to validate invoices and receipts, trace payments to suppliers, and verify deliveries and use—that concern will remain.

Thank you, Mr. Chairman.

Mr. BARNES. Thank you, Mr. Conahan.

[The attachment to Mr. Conahan's statement follows:]

[Attachment]

#### BREAKOUT BY BROKER SHOWING AMOUNTS PAID IN THE REGION

[As of May 10, 1986]

Brokers <sup>1</sup>	Total Treasury deposits	Total payments in the region
A.....	\$654,416	<sup>2</sup> \$185,434
B.....	3,331,478	150,190
C.....	243,750	243,750
D.....	206,150	206,300
Total.....	4,435,794	785,674

<sup>1</sup> Includes only those broker accounts analyzed by GAO.

<sup>2</sup> The \$185,434 is also identifiable as being paid directly to suppliers who submitted invoices.

Mr. BARNES. You had testified before this subcommittee at an earlier date that the administration had not as required by law established procedures to assure that there was no diversion of funds. I take it from your testimony it is still your view that no such procedure is in place?

Mr. CONAHAN. That remains our conclusion.

Mr. BARNES. I won't ask you whether that is a violation of the law; it rather obviously is.

On page 4 of your testimony, you talk about \$4.4 million being paid into these broker accounts and only being able to trace a little under \$800,000 as being paid into Central America and only less than \$200,000 of the amount being paid to the identified suppliers.

Is there any way at all to have any sense of where that money has disappeared to? Can you trace that at all or is the money just gone?

Mr. CONAHAN. No, sir. We have the accounts of the brokers here and we do have the payees of the funds, but I am not going to cite the specific ones.

Mr. BARNES. I understand.

## FUNDS DISBURSED FROM BROKER ACCOUNTS

Mr. CONAHAN. I will not cite the individuals, but I will go through and give you some idea where the funds went.

We have a number of companies that received these payments. We have a tourist organization that received these payments. We have a number of individuals with Spanish surnames that received payments from this account on a continuing basis.

There are some companies that we have been able to identify. There are three corporations, U.S. corporations that we have been able to identify. What we did is take a sampling of companies, not individuals, and run it against Dun & Bradstreet, Standard, and Poors. We were not able for the most part to make a match through that process, but we were for, as I say, three fairly well-known American companies.

Mr. BARNES. As I understand it, though, you were looking to trace whether the disbursement of funds matched the receipts which the assistance office was using as the basis of its disbursements and you found that relatively small percentage went to the suppliers identified in the receipts; is that correct?

Mr. CONAHAN. That is correct, sir; yes.

Mr. BARNES. Was it a significant portion of the funds that ended up deposited in offshore banks?

Mr. CONAHAN. No, sir; not terribly significant.

Mr. BARNES. Only small percentages?

Mr. CONAHAN. Yes.

Mr. BARNES. And a significant—your testimony says a significant portion of one broker account was not paid out and remains in the account.

Mr. CONAHAN. Yes.

Mr. BARNES. The funds.

Mr. CONAHAN. As a matter of fact, of the \$654,000 put into that account by the Treasury Department, some \$422,000 remains in the account.

Mr. BARNES. Even though receipts had been received by the State Department before it issued the checks for the funds?

Mr. CONAHAN. Yes, sir. What we have here essentially are receipts such as this from the supplier, and the Department takes a look at these receipts for purposes of determining allowability. On the basis of these, it issues a payment voucher.

The Treasury in turn makes a transfer to the Miami account. What we were looking for was some indication that the Treasury deposits to the account were in turn paid out to the suppliers of these particular items. That is where we fell short.

In the case of one broker that was acting on behalf of 22 suppliers of the region, we were unable to make a single match.

Mr. BARNES. Is there any possible conclusion to draw other than that some false receipts have been submitted for payments?

Mr. CONAHAN. I think that any comment on my part to that would get into the realm of speculation, but I will do a bit of it.

I suppose one could take the position that the broker has local currency accounts in the countries of the region and is making payments from those local currency accounts to the suppliers and

keeping the dollars on deposit in its U.S. banking account, but that is speculation. I have no knowledge of that at all.

Mr. BARNES. The only way to track this would be to do a further investigation?

Mr. CONAHAN. I think there are a number of things that can be done. Again, I don't know whether it will get us much more in the way of answers than we have right now. If you go to secondary banks that show up in these particular records, you could attempt to talk to the suppliers and find from them how and where they got the payments. You might talk to some of the payees if we can find them from these accounts.

#### RECEIPTS RECEIVED FROM HONDURAN GROCERY STORE

Mr. BARNES. I have an article from the Miami Herald dated May 9, 1986, talking about a corner grocery store supplying Nicaraguan Contra rebels. The import is that receipts were received from a grocery store in Honduras by the Nicaraguan Humanitarian Assistance Office for large amounts of supplies that the store has no knowledge of ever having supplied.

Is it conceivable that this report is part of what your problem is, that receipts were received here in Washington for fictitious supplies? That is the thrust of this newspaper article.

Mr. CONAHAN. I think that I have to go on the basis of the documentation that we have before us on each and every one of these invoices submitted by a supplier is an indication that the goods and services were received by someone within the UNO organization.

For example, on this particular invoice before me, there is a stamp which appears on most of these things that says "Goods and services received, UNO-FDN," then there is a signature and the title of this individual and a date. That is what the State Department has and what it has used as a basis for making its payments.

Now, it has nothing beyond that. There is not in my view any verification there except, as you will recall shortly before the last hearing, the Department asked certain suppliers to provide affidavits that they had received payment. These suppliers presented themselves at the embassy in that country, provided an affidavit that they had received payment and that affidavit was notarized on the part of the U.S. officer on the scene.

[The article referred to follows:]

[From the Miami Herald, Friday, May 9, 1986]

#### GROCERY ALLEGEDLY BILKS UNITED STATES OF CONTRA AID

(By Sam Dillon)

TEGUCIGALPA, HONDURAS.—A corner grocery supplying Nicaraguan Contra rebels at American expense billed the U.S. government for thousands of uniforms that never existed, reliable sources say.

The sources say the Supermercado Hermano Pedro is also a front to disguise the participation of several Honduran military officers in Contra supply efforts while Honduran public records and officials say the grocery store has hidden at least \$3.6 million in U.S. payments from Honduran tax authorities.

A U.S. official with knowledge of Contra operations said U.S. authorities apparently tolerated these dealings in recent months as a way of rewarding key Honduran army officers for cooperation with the Nicaraguan rebels.

The allegations provide new insight into irregularities suspected in the Contra supply network and the difficulties the Reagan administration faces as it tries to

convince Congress to nearly quadruple U.S. funding for the Contras. A congressional subcommittee voted Thursday to subpoena records of Miami bank accounts belonging to the Contras or their suppliers.

Hermano Pedro, a crowded shop tucked into a stucco building in a working-class Tegucigalpa neighborhood, has been the target single recipient in Honduras of payments from \$27 million in so-called humanitarian aid that Congress voted to give the Contras last summer.

According to classified U.S. records, the State Department's Nicaraguan Humanitarian Assistance Office, which supervises the rebel aid program, paid Hermano Pedro at least \$3.8 million from late October through February. The payments were for vast shipments of food, 20,000 uniforms, six months rent on a warehouse, transportation, fuel and other goods and services the business claimed to have provided to the rebels.

At least one shipment of uniforms, for which the United States paid \$325,000, apparently never existed, and irregularities may also affect food shipments and the warehouse, interviews in Honduras indicate.

"Forget it. There were no uniforms," said a knowledgeable U.S. official when asked about U.S. documents that show a Jan. 2 payment to Hermano Pedro for 20,000 uniforms. "There were military operations the Contras were unable to carry out in January because they didn't have clothes. They were out buying jeans, Sergio Valente jeans, in order not to go naked."

Honduran tax records list Hermano Pedro's legal owner as Elvia Ramona Portillo Ponce, the wife of Rodolfo Zelaya, an alternate Honduran congressman from the opposition National Party. But Honduran and U.S. sources said its shadow partners include several colonels in the Honduran armed forces. The colonels, none of whom were reached for comment, appear to share a common military academy background and hold command positions in units that have long worked closely with the Contras.

A. U.S. official said Zelaya was believed to have asked the officers to participate as partners.

Zelaya missed several appointments with reporters this week. His wife, who insisted she had only lent her name to the business, said Zelaya was suffering from a nervous condition, had collapsed in the store Tuesday, and was seeking medical attention.

Reached by phone late Wednesday, Zelaya said: I don't have anything to do with the United States, and I don't want to talk about this thing with reporters.

"Business matters are confidential," he said. "This is Honduras where free enterprise is permitted."

Zelaya declined comment when asked if Honduran military officers were partners in his wife's business.

Capt. Roberto Acosta, a spokesman for the Honduran armed forces, said in a phone interview Thursday that his office had no knowledge of military participation in the Hermano Pedro operation.

"We are making the necessary consultations now to define the status of the Supermercado Hermano Pedro," Acosta said.

How long Hermano Pedro has been a major Contra supplier is not clear. Last October, it began charging the Contras \$3,000 a month for the rent of a warehouse, U.S. records indicate.

Until then, the Contras had run their own Tegucigalpa warehouse and supply operation from several field tents pitched on a private farm known as La Quinta on Tegucigalpa's outskirts, a Nicaraguan exile familiar with Contra logistics said.

In late October, however, after local reporters publicized Contra activities at the farm, Honduran soldiers occupied La Quinta, seizing weapons, ammunition, food and other supplies stored there, the source said. The seizure was reported in Honduran newspapers and by wire services at the time.

The soldiers transferred the Contra supplies to a nearby Honduran military installation, the Nicaraguan source said. Since then, deliveries of food, ammunition and other supplies to the Contras have been organized from that and other Honduran military installations, the Nicaraguan and a U.S. source said.

Honduran military trucks and other equipment have also been used to assist the Contra supply effort, according to U.S. officials.

The warehouse, ground transportation and other services for which Hermano Pedro has charged the Contras appear to correspond to services quietly provided during the same period by the Honduran military.

Alberto Lopez, a businessman familiar with Tegucigalpa's warehouse market, said only a handful of city warehouses are large and modern enough to merit a \$3,000 monthly rental.

Hermano Pedro's food shipments also have raised questions. The market's food charges, according to U.S. records, were \$896,000 in October, \$1.5 million in November, \$478,000 in January and \$390,000 in February. Fuel and ground transport costs were included in the billing, the documents indicate.

During the same period, however, U.S. records indicate that the San Jorge Bazar, a wholesaler based near the border in Danli, 45 miles east of Tegucigalpa, also delivered vast quantities of food to numerous Contra camps, including the Contras' main hospital at Aguacate, 115 miles northeast of the capital.

The San Jorge Bazar's manager said in an interview he believed he had become the Contras' principal food supplier because of his low prices and efficient accounting methods.

A U.S. source said the officers involved in Hermano Pedro appeared to be the same officers whose units are operating most closely with the Contras.

The same source suggested that U.S. officials have tolerated the Hermano Pedro operation because it provided a way to reward Honduran military officers for their cooperation with the rebels.

U.S. officials said that when the CIA managed the Contra war, Honduran military cooperation was rewarded with direct payoffs to key officers. Congress barred the CIA from direct involvement with the rebels in 1984.

The U.S. official said the appropriation last year of overt "humanitarian aid" to the Contras had greatly complicated the system of payoffs to the officers, and that anomalies surrounding Hermano Pedro's dealings had apparently been tolerated as a way of continuing the hidden payoffs.

"You can't exactly offer this as a line item to the U.S. Congress," the official said. "The officers who were getting a percentage before are not going to perform the same services for nothing. You have to find a way to disguise those payoffs."

The official said the amounts involved are "peanuts for what you're getting."

During the 22 months that Gen. Walter Lopez was armed forces chief, the Honduran military proved reluctant to cooperate with U.S. efforts to aid the Contras. But the U.S. official said that after new military leadership nudged Lopez from command in late January the military increased its cooperation.

"After Lopez was kicked out they said 'We're going to give more help to the Contras,'" the official said. "So what they decided to do was to take as much of the \$27 million as they could get."

Hermano Pedro's windfall, however, was not reported to Honduran tax authorities. The shop declared 1985 sales of less than \$50,000 to Tegucigalpa's municipal sales tax authority Jan. 14, record indicate. The company paid the equivalent of \$413 in taxes based on that declaration.

The company's 2.3 million in sales to the Contras during the last three months of 1985 alone obligated it to pay 1986 taxes of \$12,600, a tax official said.

Honduran tax officials said they were opening an investigation to determine whether the individuals involved had also underestimated their incomes on federal tax records.

#### **FUNDS PAID TO THE COMMANDER-IN-CHIEF OF THE ARMED FORCES OF HONDURAS**

**Mr. BARNES.** Your testimony is that in excess of \$1 million, close to \$1½ million was paid to the armed forces or the commander-in-chief of the armed forces of a country in the region.

Were there receipts submitted to the Nicaraguan Humanitarian Assistance Office by the armed forces or by the commander-in-chief of the armed forces of the country in the region for supplies provided to the Contras?

**Mr. CONAHAN.** No, sir. What we had was receipts furnished to the State Department by certain suppliers. On the basis of these receipted invoices, State authorized payment and Treasury sent payment to certain accounts. It was out of those accounts that the payments were made to the armed forces.

**Mr. BARNES.** So the NHAO had no record and did not know that about \$1½ million was being paid to the military?

**Mr. CONAHAN.** We have no indication that they knew.

Mr. BARNES. They never provided that information to you in any other form?

Mr. CONAHAN. No, sir.

Mr. BARNES. Well, I have notified the Government of the country in question which has been reported numerous times in the press, it is Honduras, that the military of that country has received close to \$1½ million. The commander-in-chief of the military has received \$450,000 in American taxpayers' money that was intended to be provided for medicine and food for fighters engaged in the guerrilla activities in Nicaragua. It is really rather extraordinary that you were able to find this so easily, that this had taken place, when we were assured by the State Department repeatedly—

Mr. DEWINE. Mr. Chairman.

Mr. BARNES. The gentleman will have time.

Mr. DEWINE. Will you yield just for a question?

Mr. BARNES. I will be happy to yield.

Mr. DEWINE. I am shocked that in an open meeting that you would disclose that information. I am appalled. This is the very reason that my colleague asked you in a letter that you didn't even bother to respond to wouldn't it be a good idea to have a closed meeting. We proceeded today under the assumption that this type of information would not be publicly confirmed, certainly not by the chairman of the committee. I am appalled.

Mr. BARNES. Well, the gentleman is appalled that the American people now know that \$1½ million of taxpayers' money has been diverted to—

Mr. DEWINE. That is not the question.

Mr. BARNES [continuing]. For a purpose not intended. The gentleman says he is appalled this is now a public matter—

Mr. DEWINE. I am appalled that you have disclosed a third-party country, information disclosed by the chairman of a respected committee of the U.S. Congress.

Mr. BARNES. The gentleman—

Mr. DEWINE. The chairman understands full well the delicate nature of the situation in Central America. It doesn't do any good to debate this for the next 10 minutes with the chairman, but the chairman understands very well how delicate this situation is, and for you as the chairman of this committee to make that public statement, I just think is—there is no word I can find to describe it.

Mr. BARNES. Let me say to the gentleman that if the gentleman wants to cover up—because that is what we are talking about—

Mr. DEWINE. Oh, Mr. Chairman, that is a low blow and I am shocked. We are not talking about covering anything up.

Mr. BARNES. The gentleman will have his own time.

Mr. DEWINE. We need to get into this and we need to get into it better in the closed hearing.

Mr. BARNES. The gentleman will have his own time.

The General Accounting Office has just testified to this subcommittee that close to \$1½ million has improperly been paid to—

Mr. DEWINE. He didn't say "improperly."

Mr. BARNES. The General Accounting Office has just testified to this committee that the State Department received no receipts for payments to the Honduran military, the commander-in-chief of the



Honduran military, and I have here a copy of a check for \$450,000 in cash to the commander-in-chief of the Honduran military, and it is suggested that this should be discussed only in private?

We are talking about a situation that is a matter that the American people have every right to know about and in fact should know about and the gentleman will have time to discuss this.

My time has expired.

Mr. LAGOMARSINO. Mr. Chairman, I think what just went on here is a good reason why the request I made should have been responded to at least, whether or not it was granted. I think you did owe us the courtesy of a reply.

Mr. BARNES. The gentleman may be recognized for 5 minutes.

Mr. LAGOMARSINO. With regard to the statement the chairman just made, the GAO report does not identify a country. You did that. It is far different for newspaper speculation to talk about something than for the chairman of a committee to confirm that.

Mr. Conahan, when did you receive notice of this hearing? When were you invited to testify at this hearing?

Mr. CONAHAN. Friday.

Mr. LAGOMARSINO. Friday. What date was that?

Mr. CONAHAN. That would have been the 6th of June.

Mr. LAGOMARSINO. And in your statement, you say that as of June 9, you had reviewed the records of eight accounts covering \$12.2 million of the \$14.1 million. Do you know how much had been done by Friday when you received the invitation?

Mr. CONAHAN. We were probably fairly close to as much as we were able to accomplish by the 9th because the 9th is Monday, today is Wednesday, and it is the 11th. So we were fairly close to it.

Mr. LAGOMARSINO. Isn't it standard practice that when you testify, the entire job has been finished?

Mr. CONAHAN. This will be the third time that we have testified on assistance to the Nicaraguan Contras before this subcommittee this year. We were asked by the chairman to do a review of the implementation of the Nicaraguan Contra Program last fall. This is a continuation of that.

Mr. LAGOMARSINO. I understand that, but you were asked to review the documents that were subpoenaed, right?

Mr. CONAHAN. That is correct, sir.

Mr. LAGOMARSINO. And wouldn't it have been a more orderly procedure for us to hear from you after you had finished that? Isn't that the usual practice?

Mr. CONAHAN. I think in all candor without getting into the middle of anything here that we are in a position to testify. I would not agree to appear here today if I didn't think that we were prepared to present reasonably complete and reliable information.

Mr. LAGOMARSINO. Have you discussed your findings from this examination of the bank records with the Nicaraguan Humanitarian Assistance Office?

Mr. CONAHAN. No, sir, we have not.

Mr. LAGOMARSINO. Have you conveyed any recommendations for improving accounting procedures?

Mr. CONAHAN. We have at previous testimonies set out what we believed are the essential ingredients for a system that would give the United States the kind of control and accountability called for

by the statute. I am not necessarily at this point making a recommendation that those control procedures be included in any statute providing humanitarian assistance, but I do make the point that there are certain essential ingredients that would be required in order to get that kind of accountability and control.

They were included in both our earlier statements and they are included essentially in a very summarized form in our current statement. By this I mean mechanisms to validate invoices and receipts, trace payments to suppliers, and verify deliveries and use.

Mr. LAGOMARSINO. Now, the verified delivery is really the key to this, isn't it?

Mr. CONAHAN. I think it is one very important part. It is not the total.

#### NOT NECESSARILY "IMPROPER" PAYMENT

Mr. LAGOMARSINO. Isn't the question whether we get, whether the resistance gets \$27 million worth of humanitarian assistance? That is really what we are paying for; right?

Mr. CONAHAN. That is correct, sir.

Mr. LAGOMARSINO. Isn't it true that once the Treasury makes the payment, whether it is to one of these accounts or to any other supplier who invoices the Federal Government, that that money, once it is paid, belongs to whoever it is paid to?

Mr. CONAHAN. It certainly belongs to whomever it is paid.

Mr. LAGOMARSINO. It is not U.S. money anymore at that point.

Mr. CONAHAN. That is correct.

Mr. LAGOMARSINO. So I think that what the chairman has said that just on the face of it that that is an improper payment is not borne out by the facts. It may be that is the fact, but just the fact that it is paid to someone who did not submit an invoice to the U.S. Government doesn't mean that that necessarily was an improper payment.

Mr. CONAHAN. I think what we need to do is take a look at the totality of the situation. We have a system in place whereby suppliers that cannot be verified submit documentation which cannot be verified on the basis of which payments are made into accounts in Florida.

We don't know whether those payments in fact are for goods in the first instance, goods that are reasonably priced in the second instance or goods that have been delivered and used by the Nicaraguan resistance organization.

Mr. LAGOMARSINO. Isn't the way to find out to contact the people who submitted the invoices to see if they did, in fact, submit or did deliver the goods that are described?

Mr. CONAHAN. We had fully intended to include that as part of our review, but the State Department stood in our way of making visits into countries of the region for doing precisely that.

Mr. LAGOMARSINO. Well, I think I see one of the reasons why they might have some reluctance because if the information was made known to you, there is no guarantee that it wouldn't be made known to the press here this afternoon with all of the consequences that would flow from that.

I am not blaming you. You didn't name the country in your report. It was the chairman that did that.

Mr. CONAHAN. I think that is an important point. We did not name countries in this report, and we have not in our entire appearance before this subcommittee named countries.

Mr. LAGOMARSINO. I appreciate that.

HUMANITARIAN ASSISTANCE PROGRAM IS OVER, INFORMATION IS NOT  
CLASSIFIED

Mr. BARNES. Let me just note again for the record so that everybody understands, this is an overt program, under the oversight responsibility of this subcommittee. It is not an intelligence program. The Central Intelligence Agency was prohibited by law from administering this program.

There is nothing secret about any of this. Nothing that is being discussed this afternoon is classified. The General Accounting Office has its own agreement with the State Department and they are maintaining that agreement.

But none of this is classified, none of this is secret. None of this is confidential. The American people have every right to know where every penny of this money went just as they do with respect to food stamps or aid to handicapped children or any other program that anybody might be concerned about where the money is going; and if there is improper expenditure of these funds, that ought to be a matter of public record. At the appropriate moment, I am sure that there will be other aspects of this that will be public because it ought to be.

The gentleman from Massachusetts is recognized for 5 minutes.

Mr. STUDDS. Thank you, Mr. Chairman.

The minority claims to be appalled. I have been trying to figure out what the noun is from the adjective "appalled." Whatever it is, there is at least as much "appallment" on this side.

The problem isn't that this is classified, as the chairman points out; the problem is that it is embarrassing. That is the problem.

Not only is it not classified, but, as you know—I don't think it has been pointed out here—the statute which authorized this assistance provides for "a detailed accounting," doesn't "provide" for it; it requires it from the President to the Congress.

So, insofar as this Congress attempts to elicit such accounting, we are simply requesting that the President comply with the law—the law which he himself signed.

So I don't blame the minority for being appalled as it becomes clear minute by minute by minute that the President is not in compliance with the law.

This is such a secret around here. We can't get the administration to concede that Honduras borders Nicaragua, for heaven's sake.

One of the reasons that will be coming out is we will be accused of somehow revealing that geographical factor that hitherto was kept hidden from the American people.

A couple of detailed questions for you, Mr. Conahan.

**FURTHER DISCUSSION OF RECEIPTS RECEIVED FROM SUPERMERCADO  
HERMANO PEDRO**

There have been several press reports that the \$3.8 million of the \$27 million in question was used to purchase foods and other supplies from the Supermercado Hermano Pedro in Tegucigalpa.

Payments to the supermarket were made to a bank account in Miami. According to one report, a payment of \$325,000 was made to the Supermercado Hermano Pedro in return for uniforms which apparently never existed.

According to referral reports, the Honduran military officers received a share of the profits from the Supermercado Hermano Pedro account.

Did you uncover in reviewing this subpoenaed information any documents that would either substantiate or would refute any aspect of those press reports?

Mr. CONAHAN. We have seen receipted invoices for 100 percent of the items supplied by all of the suppliers in the region.

I cannot confirm your number, but I think that is unimportant. What we have is receipted invoices from all of the suppliers.

In the case of one of the suppliers we clearly see the payments to the armed forces of the supplier's country, so I guess in a general sense I confirm that.

Mr. STUDDS. To put it on a human scale, in another report by Knight-Ridder, they described a series of discrepancies between the amounts the Contreras claim to have spent for various items in Costa Rica and the amount the store owners involved claimed to have sold to the Contreras.

One of the most extraordinary examples is a rural one-room drugstore near the Costa Rican-Nicaragua border which was supposed to have been paid \$17,000. The owner said the purchases from the Contreras amounted to Alka Seltzer, a little cold medicine, and prescription drugs totaling a tiny fraction of the amount.

She is quoted as saying, "If I had written receipts for millions of Colones, I wouldn't be here."

Did you uncover in reviewing the documents any evidence that would either substantiate or discredit those allegations?

Mr. CONAHAN. No, sir. In all candor, we have not.

We have received accounts from two of the organizations in the country that you talk about, and, one, we simply haven't gotten to it all. And the other, frankly, looks good in terms of matching payments with disbursements.

Mr. STUDDS. So, you have not completed the work on that?

Mr. CONAHAN. No, not on that one.

**PAYMENTS MADE TO INDIVIDUALS, CORPORATIONS, AND OTHER BANKS  
IN THE UNITED STATES**

Mr. STUDDS. You show several payments to broker accounts, to companies and individuals in the United States. One broker made, I think, \$3.4 million in such payments.

Can you tell us anything about those payments? Were they to individuals, to companies, to other bank accounts?

Do they appear to bear any relationship to so-called humanitarian assistance to the Contreras?

Mr. CONAHAN. Payments were made to individuals, to corporations, to other banks. As a matter of fact, other banks were a rather substantial receiver of some of these payments.

We attempted to make contact with some of these people. As I say, in the case of one of the very large accounts, we listed all of the corporations that appear and we matched or attempted to match these corporations against the Dun's Marketing Service reference book for the current year as well as Standard & Poors.

We simply made no matches. So, we have that kind of a situation.

We cannot get a line, frankly, on many of the individuals. We did such things as look in the Miami phone book to see if we could find them—in fact, did find some and made some calls—but it is kind of a dead end out there.

Mr. STUDDS. I can appreciate that. You are very brave to make random calls out of the Miami phone book.

#### PAYMENTS MADE TO BANK ACCOUNTS IN THE CAYMAN ISLANDS AND THE BAHAMAS

What kind of accounts received payments in the Cayman Islands and the Bahamas?

Mr. CONAHAN. They were from broker accounts into bank accounts in the Caymans and in the Bahamas.

Mr. STUDDS. In the Caymans?

Mr. CONAHAN. Yes, sir.

Mr. STUDDS. Did you come across any company accounts that seemed to have a specialization in humanitarian assistance, in the Cayman Islands?

Mr. CONAHAN. I guess in order to be fair, I can't characterize who these organizations are or what their business is. I just don't know.

Mr. STUDDS. I suspect that is the bottom line. We don't know.

Mr. CONAHAN. We don't know.

Mr. STUDDS. That is hardly the detailed accounting which the statute requires to the Congress. I can't resist the observation that, so far as I know—and I assume the GAO will confirm this—that our Founding Fathers did not maintain bank accounts in the Cayman Islands, nor, so far as I know, did the French Resistance.

It is an extraordinary—I must say that given the fact that we have had to subpoena to get what—I think you will agree with us—is still inadequate information in order to ascertain whether or not the executive branch has complied with a simple straightforward statutory requirement of detailed accounting, perhaps that explains the reason why the minority is appalled.

They are, as we all know, fiscal conservatives, and if this accounting method were to be adopted by our Government or by any business, I suspect any legitimate fiscal conservative would be, at the very least, appalled.

It may be in fairness to the leadership of the Contras, Mr. Chairman—they might want to have an opportunity to answer some of the questions which we certainly can't expect the General Accounting Office to provide the answers for.

Clearly, Mr. Conahan has gone about as far as he thinks he can go in attempting to ascertain the answers. Perhaps we might want to give consideration to asking the recipients of this money what happened to it.

Thank you, Mr. Chairman.

Mr. BARNES. We certainly will make that opportunity available to representatives of UNO if they wish to present that.

I would also note for the gentleman's information that the subcommittee has now issued an additional subpoena—one to a bank in the Cayman Islands to try to pursue this yet another step.

The gentleman from Ohio is recognized.

Mr. DEWINE. Thank you, Mr. Chairman.

Mr. Studds has indicated some of us don't even want to concede that Nicaragua borders on Honduras. We are reminded of that fact periodically every time Nicaragua invades Honduras. That is very plain to us, unfortunately.

Let me just, Mr. Chairman, restate what is evident today. That is that the GAO, in their prepared statement and in their testimony to this committee, has been very careful to not mention countries, nor have they mentioned specific suppliers.

The chairman has done that. Mr. Studds has done that. And I will repeat it. I am appalled by that.

The witness, Mr. Conahan, testified previously to this committee, and I have the first page of his testimony, and I would like to read that or at least a portion of it:

We have been informed by the Department of State that certain information about this program is classified. For example, State has told us the following matters are classified: specific quantities of items purchased, attitudes or roles of countries in the region with respect to this program, and attempts to arrange for delivery of goods purchased in the United States.

Whether it is classified or not, I am not sure, is really the point; that is, whether it is technically classified.

#### SENSITIVITY OF INFORMATION

What is really the point is the sensitive information that Members of Congress in good conscience should be disclosing in an open public meeting. It is not a question of coverup. It is not a question of anybody on this committee not wanting to get to the bottom of the question of where the money is going.

And the real question is not where the money is going, but the real question is, are the supplies being delivered? That is the real question.

So, it is not a question of anybody wanting to cover anything up. It may not even be a question of what is classified and what is not classified.

To me, it is a question of Members of Congress doing what they should do, and I guess we just simply—with all due respect, Mr. Chairman, I do respect you and the other members of the committee—we just disagree with what our duties are and what our roles are.

It seems to me that there are some other things that are obvious.

The GAO has disclosed in their written statement that some of this went to third countries, and there is the implication that some of that money may have been paid over to the military.

It seems to me that it is not inconceivable that the military also has boots and also has food and also has other items that are non-lethal that would qualify and be clearly legal under this specific program. That, clearly, is a possibility.

I think it should also be pointed out—I don't know what time the State Department received their copy of that statement today or if they did receive a copy.

I know I got mine in my office 3 hours and 20 minutes ago. I am not complaining about that. I had a chance to read it beforehand. That was fine.

But I think to expect the State Department to come here today and to respond to that in the type of detail that we would want with specific examples—and there are examples, although the names are not named; there are examples in this testimony—and for them to come here and be able to respond intelligently on that short notice is simply inconceivable, and it is obvious why they are not here today and why they could not do this in a short period of time.

They have indicated they are willing to testify, and I am sure they will in the future.

Let me finally make one comment, Mr. Chairman, that has to do with the statement that you made, and very eloquently you stated that this is an overt program. Therefore, nothing is classified. Therefore, nothing is sensitive.

I disagree. I don't think that, morally, because a program is overt that absolutely everything connected with the program is subject to be disclosed in an open meeting.

That has never been the case. That has never been the definition of what is classified and what is not classified.

That has never been a definition of what is sensitive and what is not sensitive.

By making a program overt does not mean that absolutely every single detail about the program should be discussed in public.

Again, it is not so much a question of what is classified and what is not classified. The question is, do we intend to carry out this program, a sensitive program, a program where we are dealing with people who simply cannot have their names disclosed in a region of the world that is being threatened by the Communists in Nicaragua.

The Communists have one of the biggest militaries in the western hemisphere, certainly the biggest in Central America that dwarfs every other military in Central America.

It is understandable that countries in that region of the world are very, very, very sensitive and that individuals in those countries are very, very sensitive.

Yes, I am appalled and horrified that the majority on this committee simply does not understand that basic fact of life.

Thank you, Mr. Chairman.

Mr. BARNES. The Chair recognizes the gentleman from Connecticut for 5 minutes.

Mr. GEJDENSON. Thank you, Mr. Chairman.

## TRANSACTIONS THROUGH THE BLACK MARKET

Let me ask about what appears to be an instance in which the operations of the FDN and UNO can get as much as a 30-percent bonus by going through the black market in Honduras.

Indications are that Ambassador Duemling has seen the books and is satisfied that the extra money that comes from this transaction has been properly monitored.

Have you been able to monitor any of the funds that the FDN and UNO are able to garner as a result of any black market exchanges?

Mr. CONAHAN. We have done no work whatsoever beyond reviewing the bank accounts that were subject to my prepared testimony today.

Mr. GEJDENSON. Has any information been made available to you on any of those funds that traveled through Honduras or through other countries in the region?

Mr. CONAHAN. No, sir.

The only thing that we have is a disbursement from one of these accounts for purposes of buying foreign currency or the local currency of one of the countries in the region.

I can provide that specific amount for the chairman.

[The information follows:]

*Broker and currency transactions (Cordoba purchases as of May 10, 1986)*

Nov. 22, 1985.....	\$98,950
Jan. 13, 1986.....	59,173
Mar. 18, 1986.....	123,509
Apr. 29, 1986.....	50,111
Total.....	331,743

Mr. GEJDENSON. Is there no way at this point to follow those funds through the process to see what happens as far as the difference between the official rate and the black market rate is concerned?

Mr. CONAHAN. That is not part of what we were charged to do by this subcommittee. I suppose that the Department of State, from its Embassy in those countries in that part of the world, have a pretty good fix on what the black market rate is and what the official exchange rate is and can make those kinds of calculations.

## POSSIBLE VIOLATIONS OF U.S. CURRENCY LAWS

Mr. GEJDENSON. As you went through the books here, did you see anything that indicated violations of American currency laws by the banks in question?

Mr. CONAHAN. We were able to determine that currency exchange organizations had, prior to this program, received payments from some of these brokers' accounts.

They seem to have stopped—for whatever reason, I cannot say—but they seemed to have stopped after the execution of this program began.

As a matter of fact, we contacted one of those organizations and asked them what the relationship was with the program.

They said they didn't have a relationship with the program, but they did have a relationship with a payee from one of these ac-



counts who seems to receive a fair amount of the payments currently.

We were told by that particular organization that the payee is a grouping of private businessmen from Central America who are also engaged in currency exchange, but beyond that, I have no further information.

Mr. GEJDENSON. Would any of these banks thereby have violated any existing U.S. law as far as notifying the transfer of large amounts of American dollars?

Mr. CONAHAN. I don't have an answer for that question at the moment. I just simply don't have an answer.

#### RESPONSIBILITIES AND ACTIVITIES OF ROBERT OWEN

Mr. GEJDENSON. Let me ask you about Robert Owen, a recipient of a \$50,000 grant through the Office of Ambassador Duemling.

As you went through the vouchers and the bank statements, was there any indication of what Mr. Owen did?

Mr. CONAHAN. I have information on what his charge was. He was charged with facilitating the establishment of clinics for certain units within the Contras, and he was also charged with facilitating the provision of assistance to certain of those groups.

But we have no direct analysis of precisely what his activities were.

Mr. GEJDENSON. You have not been able to find any instances where Mr. Owen either shipped medical supplies or bought medical supplies; the only thing that shows up, to my understanding, is that most of that money was either used for travel or for his own salary?

Mr. CONAHAN. I believe it was intended primarily for his own compensation.

Mr. GEJDENSON. Would there have been a paper trail to follow if Mr. Owen was actually buying medicine and shipping it, or would that have ended up in some of the larger statements that you made earlier during the vouchers through third parties?

Mr. CONAHAN. We can trace the payments directly to him as I said, for purposes of compensating him.

We know that he has traveled extensively in the region, but insofar as a direct relationship between his activities and the provision of medical supplies, we simply don't have that information.

Mr. GEJDENSON. Was there any indication other than that concerning his travel that he was facilitating food shipments or anything else?

Mr. CONAHAN. No, but I think that I need to add that we didn't specifically look for that kind of an indication.

Mr. GEJDENSON. Thank you.

Mr. BARNES. The gentleman from Indiana is recognized.

Mr. BURTON. Thank you, Mr. Chairman.

I think I, like my colleagues, don't think that we should tolerate the misuse of funds. If the funds have been used incorrectly in violation of the law, then we should make sure that that is changed, and those who have violated the law should be punished.

But I think that my colleague from Ohio is absolutely correct in that some of this information being made public today should not

be made public, and shouldn't be discussed in a public forum even though this is an overt program.

There are suppliers who are supplying the freedom fighters in Central America who might be in jeopardy or difficulty if their names or their businesses are known. That means sabotage is not unknown in warlike conditions. I believe this should be conducted more privately.

But the real issue here today I think is what this meeting is all about. My colleagues on the other side of the aisle, I think almost to a man, as I look down there, I think every one of them voted against humanitarian aid to the freedom fighters. They oppose military assistance to the freedom fighters. They are opposed to what this President is trying to do in stopping the Communist movement in Central America.

We have a cancer down there that is moving and moving rapidly not only in Central America, but in all of Latin America, 12 of the 19 countries south of the Mexican-American border either have weapons that have come through Nicaragua or terrorists that have been trained in Nicaragua, or both, but we are not discussing that here today. That is because my colleagues who control this committee are not only opposed to humanitarian aid, they are diametrically opposed to military aid, and they want to leave the Communist Sandinista government in Nicaragua alone.

We know they are receiving a steady supply of Soviet support, they are crushing their own people, decimating Indian villages, driving 300,000 people out of the country, supporting terrorism and subversion throughout Central and Latin America, and what are we having a hearing on? The situation of the Catholic Church? The plight of the Miskito Indians? Nicaraguan support for terrorism? Soviet and Cuban arms shipments?

No. We are having a hearing on whether some of the small amount of humanitarian aid to our friends, the freedom fighters, is getting into the wrong hands. Not that the GAO has ever said there was wrongdoing, not that the Customs Service found any weapons when they inspected shipments to the Contras. No, the GAO is just concerned that we cannot trace every receipt so as to be sure they are absolutely true.

There is a life-and-death struggle going on in Nicaragua right now. It is a struggle between, one, a government that is trying to impose communism and turn their country into a war machine; and, two, people who reject communism and the war and poverty that communism brings, and are resisting with all their might.

There is no doubt where the people of Central America and even the governments stand on this. The Central American democracies said clearly at Esquipulas that there will be no peace in Central America unless there is democracy in Nicaragua.

And no one seriously believes that the Sandinistas will give 1 inch on that unless they are forced to do so by military pressure from the freedom fighters and diplomatic pressure from their neighbors, the United States, and this Congress.

Why, Mr. Chairman, is it so unthinkable for you and your colleagues to say to the Sandinistas straight out, you made a commitment to the Organization of American States in 1979 for democracy in Nicaragua, and we won't settle for anything less?

Will you say that? Will my colleagues say that? Or are you saying to the Nicaraguan people, "sorry, boys, we helped you kick out Somoza in 1979, but we won't tangle with the Sandinistas; you are on your own now." That attitude is not only morally bankrupt, it won't work.

There will be no peace, there will be no freedom, only increasing war and instability until there really is nothing we can do short of sending American troops. And it won't be Ronald Reagan who will be responsible; it will be those who stubbornly refuse to satisfy what was happening until it was too late.

Thank you. I yield back the balance of my time.

Mr. BARNES. The gentleman from Pennsylvania is recognized for 5 minutes.

#### SUPERMERCADO HERMANO PEDRO

Mr. KOSTMAYER. Thank you.

Mr. Conahan, do you know who owns the Supermercado Hermano Pedro?

Mr. CONAHAN. I think that in line with the statements made earlier concerning our overall agreement with the Department of State, that I will decline from discussing individual suppliers and individual brokers. I think I must do that on grounds of classification.

Mr. KOSTMAYER. I understand. So the agreement you have made with the Department of State prohibits you from disclosing the recipients of these funds including the Supermercado Hermano Pedro? Is that it?

Mr. CONAHAN. I think we can characterize the way these funds were distributed without talking about specific suppliers or specific brokers or specific recipients.

Mr. KOSTMAYER. But the agreement with the State Department does prohibit you from providing that information to the Congress?

Mr. CONAHAN. Yes, sir. The State Department considers that to be classified information on the grounds that identification of individuals in the region might put their position in some kind of jeopardy.

Mr. KOSTMAYER. Did your inquiry require the cooperation of the State Department, would you say?

Mr. CONAHAN. Yes.

#### COOPERATION FROM THE STATE DEPARTMENT

Mr. KOSTMAYER. And to what extent did you get it or not get it?

Mr. CONAHAN. Insofar as their making available to us the records that they have here in Washington, I think we have received good cooperation. I think we received reasonable explanations of our questions at that level.

We did seek in the early stages of our review to make visits to countries in the region for purposes of talking with suppliers, for purposes of end-use investigations, for purposes of seeing if there were any procedures in place for documenting and receipt and delivery.

They did not facilitate our entry into those countries on the grounds that the governments were not cooperating with the De-

partment of State because of sensitivities and that in the absence of that kind of recognition of the program, it would be difficult for the General Accounting Office to do the kinds of review that it wished to do. So on that score, they did not facilitate our review.

Second, we had asked them early on to get the bank accounts that we are talking about today, and their position was that they had no authority to get those bank accounts, and therefore we did not get that kind of information out of them either.

Mr. KOSTMAYER. Did the people from the Nicaraguan Humanitarian Assistance Office visit these countries to document the receipts?

Mr. CONAHAN. Well, initially it is my understanding that they wanted to set up an organization incountry to do some of the things that we are talking about here in order to comply with the provision of the law. But early on——

Mr. KOSTMAYER. That is personnel from NHAO?

Mr. CONAHAN. Yes, indeed. But because of the discussions between the Department of State and the governments of that part of the world, there was a conclusion that they couldn't realistically set that kind of an office up.

Mr. KOSTMAYER. So NHAO was prohibited by the Department of State from setting up offices within these countries which would verify the receipt and delivery of these purchases?

Mr. CONAHAN. Let me state it as follows: We were told that the assistance office did not set up that sort of an in-country operation because of the sensitivities in the area.

Mr. KOSTMAYER. I understand that but they have sent people down?

Mr. CONAHAN. A person has gone down.

Mr. KOSTMAYER. What have they found out on those trips down there even if they haven't set up the offices? What have the individuals from the office found out when they took these trips down there?

Mr. CONAHAN. In order to facilitate the answer, let me ask Mr. McCracken.

#### STATEMENT OF PATRICK M. McCRACKEN, EVALUATOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, GAO

Mr. McCRACKEN. The information we have on that is there was one trip of approximately 10 days duration in which the individual visited the camps and inspected the storage of supplies and warehouses.

Mr. KOSTMAYER. In what country?

Mr. CONAHAN. One of the countries.

Mr. McCRACKEN. One of the countries in the region.

Mr. KOSTMAYER. What does it start with?

Mr. CONAHAN. I don't think that is fair. He is under the agreement that we have with State. He is just not going to answer it.

Mr. KOSTMAYER. It is Honduras.

Go ahead.

Mr. CONAHAN. The purpose of his visit was——

Mr. KOSTMAYER. What is the matter?

Mr. HYDE. I was just complimenting you on your boldness.

Mr. KOSTMAYER. Thank you very much. I appreciate the compliment.

Mr. McCRACKEN. To make a visit to test the waters, so to speak, and see whether that country would be open to more visits. He principally inspected the warehouses; he did not, as I understand it, check with the suppliers or examine receipts.

Mr. KOSTMAYER. What was the purpose of the visit, to examine whether the material had actually been received? Whether the receipts were in fact accurate to really document the receipts? Was that the purpose of his visit?

Mr. McCRACKEN. No; it was to make that first inspection visit to look at the locations, to see how the storage facilities were operating, the logistics system; it was not, as I understand it, to do a review of the accounts or of deliveries.

Mr. KOSTMAYER. So the State Department has prohibited you from conducting that inquiry and apparently it has not been done by the people from the NHAO office as well; is that right?

Mr. McCRACKEN. Yes; that was our information as of the first trip. He may have made more trips and State Department can respond to that.

Mr. KOSTMAYER. What effort has there been to verify the receipts and that the material has actually been received that the American people have paid for?

Mr. McCRACKEN. The principal effort to verify these receipts has not been made available to us.

Mr. KOSTMAYER. What is that?

Mr. McCRACKEN. From the intelligence sources that the State Department has referred to on a number of occasions before this subcommittee.

Mr. KOSTMAYER. So efforts have been made to verify?

#### CIA DECLINED TO SHARE INTELLIGENCE REPORTS WITH THE GAO

Mr. CONAHAN. We are not in a position to say that efforts have been made to verify. The Department of State has commented that they have information from the intelligence sources, commenting on activities surrounding this program in those countries.

We asked the Department for those. We were unable to receive them.

Mr. KOSTMAYER. Unable to receive them for what reason?

Mr. CONAHAN. They referred us to the Central Intelligence Agency. We contacted the Central Intelligence Agency, asked for any reports that they had, talking about the delivery and use of assistance made available to the Contras, and they declined to share those reports with us.

Mr. KOSTMAYER. On what basis? Did they say?

Mr. CONAHAN. They did not give us a reason.

Mr. KOSTMAYER. Thank you.

Thank you very much, Mr. Chairman.

Mr. BARNES. The gentleman from Arizona is recognized.

Mr. McCAIN. Thank you, Mr. Chairman.

Mr. Conahan, are there, to your knowledge, as far as you have been able to track the funds, any funds missing or unaccounted for?

Mr. CONAHAN. Well——

Mr. McCAIN. As far as you have been able to track the funds?

Mr. CONAHAN. I think that we can certainly provide a full accounting of the funds from the Department of the Treasury to the accounts of either the suppliers or the brokers in the United States.

We can also show what the bank records say in terms of the payees of those funds during that period of time.

The difficulty is that we are not in a position, at least as of this point, to identify a major portion of the payees.

Mr. McCAIN. Now I would like to ask the question again. Are there any funds missing as far as what you have been able to track?

Mr. CONAHAN. I think that the answer I gave is the answer to that question.

Mr. McCAIN. I think that is a pretty straightforward question.

Mr. CONAHAN. I think it is, sir. I appreciate that it is a straightforward question, but straightforward questions are not always answerable in straightforward answers in terms of a short answer.

I think what we need to say here is precisely——

Mr. McCAIN. Mr. Conahan, my time is only 5 minutes. We will move on, OK. I think you have answered it, and you will give me the same answer again, I am sure.

Mr. CONAHAN. Yes, sir.

Mr. McCAIN. In your summary, it is extremely clever, and I would like to compliment you on it, Mr. Conahan, and I would like to repeat it.

Examination of the bank records has for the most part only raised more questions. Moreover, there is enough evidence to be concerned that humanitarian assistance may not be reaching the intended beneficiaries.

Very, very clever, Mr. Conahan. Could I ask you, is there any evidence that humanitarian assistance is not reaching the intended beneficiaries?

Mr. CONAHAN. We have no evidence that humanitarian assistance is not——

Mr. McCAIN. Thank you very much.

Mr. CONAHAN [continuing]. Reaching those folks.

Mr. McCAIN. Now I would like to get to what I think we are in agreement on, and that is the difficulties that are in the process because of the way the legislation was written, which indeed makes it almost impossible to carry out the kind of accounting that all of us as taxpayers would like to see.

I would like to quote from your previous testimony where you said, and I thought very intelligently and very importantly, in testimony where you said that "NHAO has done about as much as it can to track supplies."

You told us that the NHAO had intended to set up an office in the region, but that, I quote you, "diplomatic sensitivities in the region prevented NHAO from doing so."

When I asked if it would be easier to track the supplies if the program were covert, you responded: "As I understand covert programs, I believe we might be able to put in place that kind of mechanism."

In your statement——

Mr. CONAHAN. I said after that, sir, that the GAO has been patently unsuccessful in getting access to the kinds of information necessary to review covert programs so that I can't comment on how well they might do either.

Mr. McCAIN. Then, of course, that contradicts what you—what I have quoted from your statement. "I believe we might be able to put in place that kind of mechanism."

Mr. CONAHAN. I said "I don't know how well that will work either."

Mr. McCAIN. I see.

Then in your statement you say: "We have concluded that the State Department does not have sufficient procedures and controls to ensure the program funds are being used for the purposes intended by law."

One other place, NHAO does not have the ability to observe delivery and use of procured items. The problem is that we do not have the procedures. We cannot send people into these border countries or into the country itself where the supplies are being delivered, and until such a day arises, I don't think it will be possible to do so. Do you?

Mr. CONAHAN. I think that I would certainly take under advisement a decision on my part to send my people into those border areas. So I agree that it is a very difficult decision to take.

Our testimony and our being here today is in response to a charge to review implementation of the present statute, and I think we need to all look at it in that context.

Mr. McCAIN. And I agree also.

But if you are charged with carrying on a mission which is physically impossible for you to do so and the State Department to do so because of the constraints placed on presence of people to do auditing, I think we are continuously—three times now you have testified before this committee—coming up with the same conclusions. But to somehow translate that into malfeasance or misappropriation of funds, I think is a leap which we cannot make given the evidence that we have before us.

I am not maintaining that there hasn't been, but I would suggest, as opposed to what the distinguished chairman of this committee said in his press release, we are a long way from saying there has been anything shocking taking place.

What is shocking is that we have passed a law which, with all good intentions, which we cannot sufficiently track the fundings in order to give a full accountability to the taxpayer.

And again, Mr. Conahan, I would appreciate in writing, since I see that our time is about up, I would like to see specific recommendations made by you, as the GAO almost always does when they report to Congress, as to how we can improve the implementation of the law.

Finally, I would like to ask you, would you please do that in writing to the committee?

Mr. CONAHAN. Yes, sir, I certainly will do that.

[The information follows:]

## NICARAGUAN HUMANITARIAN ASSISTANCE PROGRAM

If Criteria remains:

- (1) Overt program;
- (2) Continuation of legislative requirement that "The President shall establish appropriate procedures to ensure that any humanitarian assistance provided by the United States Government to the Nicaraguan democratic resistance is *used only for the intended purpose and is not diverted* (through barter, exchange, or any other means) for acquisition of weapons, weapons systems, ammunition, or other equipment, vehicles, or material which can be used to inflict serious bodily harm or death. (Public law 99-83)

Then controls are needed to:

- (1) Establish allowability of goods under law;
- (2) Establish validity of suppliers;
- (3) Establish reasonableness of prices on receipts;
- (4) Verify delivery and receipt of items;
- (5) Verify use to ensure items are not diverted;
- (6) Ensure payments are made to suppliers.

Adequate records should be maintained to demonstrate the above (audit trail); and provision made for periodic independent auditing.

U.S. agency responsible for administering the program should ensure controls are in place, and perform tests of controls as appropriate.

In event circumstances beyond U.S. control preclude the responsible US agency from establishing the above controls and testing transactions, the Congress should be so informed.

Mr. McCAIN. Finally, was the administration allowed to comment on this report?

Mr. CONAHAN. No, sir. This was not commented on by the administration.

Mr. McCAIN. I see. Thank you.

I think that is far better than the way you misled this committee the last time when you said that the State Department was allowed to comment and Ambassador Duemling followed you and said he was only allowed to comment on the classification, not on the report itself.

Mr. CONAHAN. Mr. McCain, I think that is a fine line, too. We sat down with the Ambassador and he read the entire statement, and, in fact, made suggestions for some changes that we made to that statement before we presented it to this committee.

Mr. McCAIN. I hope that you and Ambassador Duemling will resolve the issue, because he stoutly maintains he and the other people who saw your report that you did not give them the courtesy of allowing them to comment on anything except the classification of the report. But that is a very minor item as compared to what we are trying to address today.

Thank you, Mr. Chairman.

Mr. BARNES. The gentleman from California is recognized for 5 minutes.

Mr. DYMALLY. Thank you, Mr. Chairman.

Mr. BARNES. Then we will break for this quorum call and return after the quorum call and the vote.

## STATE DEPARTMENT CLASSIFICATION OF THE INFORMATION

Mr. DYMALLY. Mr. Conahan, I want to talk with you just a bit about the agreement you have with the Department of State. Can you tell us a little bit about that agreement?

Mr. CONAHAN. The Department of State has an original classifying authority. The General Accounting Office does not. The Gener-



al Accounting Office complies with the security classification affixed to the information by the Executive Agency.

In the case of countries, in the case of suppliers, in the case of brokers, the Department of State has classified, has affixed to that information a security classification. That means that that information can be divulged only to people who have the appropriate classification, security clearances, and have the need to know. And that is where we are with respect to this information.

Mr. DYMALLY. Does the GAO do audits of foreign aid in foreign countries?

Mr. CONAHAN. Yes, sir.

Mr. DYMALLY. Is this the usual procedure which the State Department has employed in the region?

Mr. CONAHAN. Yes. As a matter of fact, I would say that most of the information in the Departments of State and Defense regarding activities in the region is classified.

Mr. DYMALLY. But is that the case in, let's say, other countries?

Mr. CONAHAN. For a great deal of the information concerning U.S. activities in other countries, it is classified.

Mr. DYMALLY. Fine.

So have you had this experience with the State Department in auditing foreign aid accounts at other times?

Mr. CONAHAN. Indeed we have. Indeed we have. And we issue reports which are both classified as well as unclassified reports.

We do classify hearings. We prepare and present testimony before closed sessions of the committees.

Mr. DYMALLY. If you were to give the State Department some guarantees that you would present your testimony in closed session, do you think they would unclassify this report?

Mr. CONAHAN. I think that if we were to give it—of course, if we were to give it in closed session, there wouldn't be a need to unclassify it.

Mr. DYMALLY. You have all the information?

Mr. CONAHAN. Oh, we have the information.

Mr. DYMALLY. What about the prior arrangements with the State Department; do they usually prevent you from going into other countries when you want to do an audit even in areas where they classify, or term the program as classified?

Mr. CONAHAN. We rely on the Department of State to facilitate our access to information and that is in terms of either people or documentation in foreign countries since the Ambassador is the person primarily responsible for all U.S. Government activity in a given foreign country.

There have been instances in the past where they—the Department of State—differed with our view of the need to go in and do work in a foreign country. At times we were able to accommodate their concerns; at other times it, quite frankly, resulted in quite an impasse between we and they.

In those cases, if we were working, for example, as we are now for this subcommittee, we would get the input of the subcommittee. If they felt it was necessary to do it, we usually ended up going in country and getting that information.

Mr. DYMALLY. So it is within the realm of possibility that you could still go into that region and do the study if the committee so requested?

Mr. CONAHAN. I think we could, but the more we learn about what is available, I am not really sure at this point what would be gained in doing a lot more work in-country.

Mr. DYMALLY. Wouldn't that be helpful to find if this one store sold a bottle of aspirin or a truck load of aspirin?

Mr. CONAHAN. Some of that, I suppose, could be done. But a lot of this new activity is 6 months old. You are talking about a very high level of small transactions.

Whether individuals can recall that at this point, I don't know, and I don't know to what extent documentation exists beyond what we have. I don't know.

Mr. DYMALLY. In auditing domestic programs, say the poverty program, the housing program, the HHS program, do you ever enter into agreements with agencies not to divulge information?

Mr. CONAHAN. We don't enter into arrangements with any agency not to divulge information, even in this case.

We have not agreed with the State Department not to divulge information. We agreed that we would not divulge classified information in an open hearing. That is what we are talking about.

Mr. DYMALLY. Is there any domestic program that is classified?

Mr. CONAHAN. Yes, sir, there are a number of them, domestic programs that are classified.

Mr. DYMALLY. Finally, in your testimony, you avoided mention of the name of banks and individuals. Is this an arrangement you have with the committee or with the State Department?

Mr. CONAHAN. Well, I think that the committee itself, when it announced that it was going to seek subpoenas, said that for the most part that information would not be made public.

But in addition to that, we consider the names of those suppliers and brokers to continue to be classified, as they have been right from the beginning.

Mr. DYMALLY. Last question, Mr. Chairman.

Do you think a member can arrive at any intelligent conclusion with these vague generalities?

Mr. CONAHAN. This information is available to you, sir.

Mr. DYMALLY. Is it?

Mr. CONAHAN. Yes, sir.

Mr. DYMALLY. When can I have it?

Mr. CONAHAN. We can come up and brief you on it at any time.

Mr. DYMALLY. With the names?

Mr. CONAHAN. With the names.

Mr. DYMALLY. Thank you very much.

Mr. BARNES. The subcommittee will stand in recess until these votes are completed, probably about 15 minutes.

Mr. BARNES. The subcommittee will come to order once again. The Chair would recognize the gentleman from Illinois, Mr. Hyde, for 5 minutes.

Mr. HYDE. Thank you, Mr. Chairman.

Mr. Conahan, I have in front of me a copy of a U.S. General Accounting Office report, March 1986, "Foreign Assistance, How the Funds are Spent." I am sure you are familiar with it, because you

signed the letter of transmittal dated March 7 to Hon. Dave Obey, chairman of the Subcommittee on Foreign Operations. And in your transmittal letter you say you are responding to his letter of April 18, 1985, asking you to determine how funds were actually spent and who benefited.

As you requested, we concentrated on identifying specific payees, their locations, and purposes of expenditure.

**You also say in your transmittal letter:**

Fiscal year 1984 assistance funds and cash transfers to foreign governments under the economic support fund were commingled with other funds, thus losing their identity, and agency records often identified only the initial payees, such as prime contractors, but not subcontractors or subsequent recipients of the funds.

**How history does repeat itself. Page 7:**

U.S. suppliers directly benefit from foreign economic assistance expenditures. Data provided by the Agency for International Development also showed disbursements through commercial banks of about \$400 million, for which the ultimate recipients' addresses were not complete.

**Further in that paragraph:**

AID officials noted that the \$2.1 billion in disbursements to payees with a foreign address included substantial sums of direct cash transfers to foreign governments. Such transfers, they said, are often part of agreements with foreign governments that include provisions for U.S. source procurement. However, cash transfers are commingled with other moneys, and there is no systematic documentation of their actual use.

AID officials stated—

**Still reading from your report—**

That because the agency implements its programs through overseas missions located throughout the developing world, its accounting and reporting is decentralized, with only summary information provided to AID Washington. Although AID is upgrading its computerized accounting systems to expand its centralized reporting capability, the existing AID Washington information systems were incapable of generating detailed data on development assistance and economic support fund disbursements by payee.

**Then going to page 11:**

Excluding the \$51.45 million in non-AID appropriated fund disbursements, AID's disbursements filed developed for this request totaled \$4.334 billion for development assistance and ESF accounts, which is approximately \$382 million less than the total \$4.716 billion in AID disbursements reported in its fiscal year 1986 congressional presentation. AID officials attributed the difference in part to allocation of funds to other agencies, the inclusion of other than actual disbursement data in the congressional presentation, and lack of a centralized computer information system for documenting detailed disbursements by payee. Because of time limitations, the volume of the disbursement transactions involved, and weaknesses in the AID computer information system, the AID Washington disbursement file had gaps in information concerning individual payees, their addresses, and the purposes of the transactions.

**Moving to page 22:**

Because of time constraints and limitations in its computer system, UNICEF was not able to provide a full listing of U.S. suppliers of goods, freight, and other services.

**Now we are talking about the big well established Department of Defense:**

And military services finance and accounting systems do not specifically identify whether contractors are paid with military assistance funding or a country's own cash. When a country enters into an FMS agreement, the Defense Security Agency's assistance accounting center establishes a trust fund for the country. In the trust

fund, foreign military sales alone, and military assistance program grant funds, are commingled with the country's cash payments. The center uses funds from the trust fund without regard to their source, to reimburse the military services for payments made to contractors on behalf of the foreign country. This commingling of funds makes it impossible to trace the specific military assistance funds through the trust fund to the military service and to the ultimate contractor. Because there is no way to trace contractor payments to fiscal year 1984 military assistance funding, we expand our examination to include fiscal year 1984 FMS contracts awarded or modified, regardless of the financing arrangement.

Page 34:

Economic and related programs.

Now, here is what you looked at.

We performed our work at Agency For International Development, Eximbank, the World Bank, IDB in Washington, UNDPH, DTCD, and UNICEF in New York, FAO in Rome, AFDB in Abidjan, the Ivory Coast, and ADP in Manila, the Philippines.

Mr. McCAIN. Mr. Chairman, I ask unanimous consent the gentleman from Illinois receive 3 additional minutes.

Mr. WEISS. Mr. Chairman, if you would, I have somebody back in my office waiting for me. I would like to take my chance asking questions.

Mr. HYDE. I hope you do. I am almost through.

The addresses were frequently those of the corporate headquarters or business offices.

Mr. BARNES. The gentleman's time is extended for 30 seconds.

Mr. HYDE. And—

Frequently those of corporate headquarters are business offices and do not necessarily reflect where the goods were manufactured or the service performed. Vouches did not usually indicate the subcontractors, if any, that assisted the supplier in producing or providing the goods or services. Information we obtained from vouchers related to multinational corporations often did not reveal the origin of the goods or services which could have been provided through local subsidiaries or through independent vendors.

I would say there is much to be done about the accounting system, about every agency in the world that handles money.

Last, if I may have 30 seconds, Mr. Chairman, and I will be done, I notice from the report:

The International Security and Development Cooperation Act of 1985.

This is July 29, 1985. The report deals with covert funds going to Afghanistan, covert funds, overt funds going to Cambodia, and in our report we are so flexible to say, this committee:

The conference substitute earmarks \$15 million in ESF funds annually beginning in fiscal year 1986 for humanitarian assistance to the Afghanistan people.

The operative sentence comes next:

The conferees recognize that the nature of the assistance to be provided required some degree of flexibility in the application of standard audit procedures and requirements.

Now, down to Cambodia, the same sentence occurs:

The conferees agree that the nature of the assistance to be provided requires some degree of flexibility, in the application of standard audit procedures and requirements.

So my conclusion—it need not be yours—is that where Afghanistan is concerned, where Cambodia is concerned, or where the Eximbank or the Agency for International Development is concerned,

flexibility is part of the process. But when it comes to Nicaragua and the Sandinistas, by God, we need to know every nickel and where it went, regardless of whom we embarrass, what countries we embarrass. That is my conclusion, and I call that the double standard.

I thank the gentleman for his indulgence.

Mr. BARNES. The Chair recognizes—

Mr. CONAHAN. Mr. Chairman, if Mr. Weiss would permit me, may I make a comment before we go to your questions?

I appreciate, Mr. Hyde, your reading that report into the record. We did that for Mr. Obey. I think that it does a good job in characterizing the state of controls through the foreign assistance community. That report does go on to point out that there are stages of control and accountability going from the economic support fund to some of the food aid programs which are more tightly controlled. I think that it is a good reference document, and I think it does give what it purports to do, that is, simply to provide information to this body on the state of controls.

Mr. HYDE. Please understand me, I am not adversarially disposed. I think it is an excellent report. It is greater information and I am going to study it. I am merely pointing out the similarity of the difficulty in auditing these things beyond initial payments, and it seems to me that the same understanding ought to apply to this program as seems to apply not from you—that is not your job—but from Congress and from Mr. Obey.

Thank you.

Mr. CONAHAN. Thank you, sir.

Mr. BARNES. Mr. Weiss is recognized.

Mr. WEISS. Thank you very much, Mr. Chairman.

Just to clarify what may have been some confusion in earlier exchanges that you had with some of the other members, I go back to the conclusory paragraph, the summary paragraph of your report, and I read:

Moreover, there is enough evidence to be concerned that humanitarian assistance may not be reaching the intended beneficiaries.

In the exchange that you had with Mr. McCain, he pressed you, using his words, for a yes or no response, and his question was in essence: "And you have no evidence that the funds are not getting to their intended recipients?"

Would you reconcile the "yes" response, "Yes, that is right," that you have to Mr. McCain with the summary statement that I read?

Mr. CONAHAN. I think that we need to again review, as I attempted to review with Mr. McCain, the facts of the situation here.

Mr. WEISS. Please do it.

Mr. CONAHAN. We have a situation in place where suppliers from the region provide invoices through the United Nicaraguan opposition to the Assistance Office of the Department of State. Without exception, I believe there is an indication on those documents that the goods, for services therein listed, have been received by the UNO organization.

If the Department determines that they are allowable under the program, they can execute a payment document and the Department of Treasury thereupon makes a transfer to accounts in banks

of this country. The accounts are either broker accounts or supplier accounts. What we have seen in the case of broker accounts is that the payments by the Department of Treasury are going into the accounts, but we do not see transfers out of those accounts to the suppliers that provided the documentation in the first place supporting the Treasury payment to those accounts.

Mr. WEISS. So that if I may paraphrase—and you tell me if my conclusion is correct—you cannot with certainty state that the moneys do not ultimately end up providing supplies for those for whom they were intended, and neither can you state on the basis of the evidence that you have before you that in fact those supplies are reaching the people for whom they were intended; is that correct?

Mr. CONAHAN. Yes, sir, I agree with that. May I just add, sir, the basis for our statement in the conclusion that there is enough evidence to be concerned, is on the basis that payments were made to parties that in no way submitted documentation saying they provided any goods or services.

Mr. WEISS. Right. And then to pick up another area of confusion to me——

Mr. KOSTMAYER. Will you yield for a second?

Mr. WEISS. Course.

Mr. KOSTMAYER. Is that a normal procedure that funds would be provided to people who provided no documentation? Just repeat that last sentence that you said.

Mr. CONAHAN. It was the expectation, we thought that we would find payments by these brokers to the suppliers that had provided the documentation upon which——

Mr. KOSTMAYER. And you didn't?

Mr. CONAHAN. And we did not.

Mr. KOSTMAYER. I ask you if that is a normal procedure or not.

Mr. CONAHAN. Well, in this account this is an unusual way.

Mr. KOSTMAYER. I don't mean this one. I mean is it normal procedure for other accounts in general in the Government? Mr. Hyde implied, I gathered that it was in his recitation. Is it or isn't it?

Mr. CONAHAN. Other accounts are not set up quite like this, where you have brokers involved. The reason you have got brokers involved here is, according to the Department of State, because of the sensitivities in the region. So we have a little different situation.

#### POSSIBILITY OF FRAUD

Mr. WEISS. OK. Another area of confusion that I would like to clear up if I could. There was a suggestion in the question that was put to you or a comment that was made by my distinguished colleague from California that once money is put into an account of a broker or a supplier, that that money is theirs, and that therefore we have no basis for going after it.

Now, if that money was placed in those accounts based on fraud, either because the invoices themselves were fraudulent or because the materials that were supplied were shoddy, or if they were overpriced, would you conclude with the gentleman from California

that we would have no right to go after the moneys, even after they were deposited in that account?

Mr. CONAHAN. I don't have counsel on this statement, but I think that my position would be that if fraud is established, we could go after those funds.

Mr. WEISS. You bet. And we have a history in this country going back to the Revolutionary War, through the Civil War, and going through World War II with then-Senator Truman's famous committee, of going after so-called war profiteers, people who overcharged for providing nonexistent or shoddy or inadequate material for the money that they received from this Government, and we have sent people to jail for doing that.

In your mind, is there an exemption, an absolution if the people who provide that kind of war profiteering in the way that I have described are foreigners rather than Americans?

Mr. CONAHAN. Again, I guess the only answer I would have to that, sir, is the matter of jurisdiction. If jurisdiction can be established, we can pursue it. If jurisdiction is not established—I don't know the answer, quite frankly.

Mr. WEISS. Right. But you would not say that we have the right to absolve people who cheat this Government simply because they have an account to which the money has been placed?

Mr. CONAHAN. Absolutely not.

Mr. WEISS. Thank you very much. Thank you, Mr. Chairman.

#### SUMMARY OF GAO FINDINGS ON CONTRA AID

Mr. BARNES. Mr. Conahan, we want to thank you and your colleagues again for your efforts. We know you had not completed your review of the documents, and there will be additional documents arriving. If I may just summarize my sense of the report that you have presented to the subcommittee.

You found that only in limited instances did the money deposited in these accounts go to the suppliers who had provided the receipts and the affidavits indicating that they had supplied the equipment, whether it was food or medicine?

Mr. CONAHAN. Mr. Chairman, I need to interrupt at that point. We need to remember there are two kinds of accounts. There are suppliers accounts and brokers accounts.

Mr. BARNES. Right.

Mr. CONAHAN. So when the funds go to the suppliers accounts, they are going indeed to those suppliers. We are now talking about the brokers.

Mr. BARNES. I understand. You also have indicated that much of the money went to people and organizations not related to the program, or at least that you could not identify. You have also testified that \$1.5 million approximately was paid to the armed forces of, as you say, a friendly country. Everyone in this room and everyone who knows anything about this program knows what country that is and knew it a half an hour before this hearing started today.

You have also testified that some of our taxpayers' money is still sitting in at least one bank account. Was it more than one bank account where the money is just sitting earning interest?

Mr. CONAHAN. I think there is a substantial amount in the one bank account.

Mr. BARNES. Drawing interest for the holder of that account rather than being paid to the suppliers who had provided the receipts indicating that they had provided equipment to the Contras. You have also testified——

Mr. BURTON. Will the gentleman yield on that point just a moment?

Mr. BARNES. Sure.

Mr. BURTON. It is a common business practice, is it not, Mr. Conahan, for businesses to sometimes have 90 or 120 days to pay their accounts to their suppliers?

Mr. CONAHAN. Yes, sir, that is true.

Mr. BURTON. I know in the free enterprise system, and in the insurance business, the real estate business and other businesses in this country, many times people are paid for their goods or services, and they don't have to pay their suppliers for 3 or 4 months, and they do wait to pay those. So would that be a possibility in this case?

Mr. CONAHAN. If they were the terms and conditions, yes, I think that would be a possibility.

Mr. BURTON. I thank the gentleman for yielding.

Mr. BARNES. This is very substantial amounts of money, as you just said a minute ago, that is sitting in accounts?

Mr. CONAHAN. Yes, sir. In one particular account something less than one-third, since October, has been disbursed outside of the particular account.

Mr. BARNES. You also indicated that some of the money was transferred to other banks in the United States, and to banks in the Cayman Islands and in the Bahamas. Therefore, I think it is fair to conclude that despite your best efforts and that of your colleagues at the General Accounting Office, we still don't know where a lot of the money went, but we now have more evidence that demonstrates that it is very likely, in my judgment, that the law was not complied with, with respect to the disbursement of these funds.

We know the law was not complied with with respect to the requirement of the establishment of a procedure to insure that there be no diversion of funds. That is self-evident. But it is also likely that the law has not been complied with in other respects. It seems clear to me at this point that the GAO findings corroborate at least some of the allegations that have been made with respect to this program regarding diversion of funds for unauthorized purposes, the allegations of skimming operations for the personal gain of individuals.

Mr. BURTON. Will the gentleman yield on that point?

Mr. BARNES. Yes.

Mr. BURTON. I have been sitting here through most of this hearing, and I know that funds have been diverted from one bank to another bank in the Cayman Islands. I don't have the information that you obviously have from these hearings.

It appears to me that those moneys may have been diverted for the purpose of paying suppliers who might be in jeopardy, whose identity if known might be in jeopardy of being assassinated or



hurt by the Communist Sandinista Government. I mean, you can draw that conclusion as well as the one you are drawing, Mr. Chairman.

Mr. BARNES. You can draw whatever conclusion you wish, but the evidence I am just reviewing, my perspective on the evidence presented.

Mr. BURTON. As a member of the committee, I would like to say that my conclusion does not jibe with yours, Mr. Chairman.

Mr. BARNES. I understand that. You have a rather different conclusion about what is going on here, and it is fairly evident that the funds are not going where they were intended to go, nor where the State Department thought they went.

The State Department received receipts, and in good faith they paid money assuming that the funds would go to the organizations or individuals who had provided the receipts, and we now know that the money did not go there.

You can draw whatever conclusion you want.

Mr. CONAHAN. Mr. Chairman, again I am going to stay as far away as I can from between the two sides here, but that is your conclusion. As far as I am going to go on the second count of compliance with the use of the funds is that there are rather substantial questions still to be answered in that regard, and I don't see a conclusion in fact that these funds have been misused or misappropriated.

Mr. BARNES. There is a significant possibility, though. Anyone looking at these records with common sense would recognize that there is a significant possibility.

Mr. CONAHAN. In that regard I think there is a significant possibility, and I would like to make that point. Because what we have here is documentation being provided by a number of suppliers and we don't find documentation that those suppliers are receiving funds from these accounts. We do see funds going to other payees from these accounts. So I think there is a real question there.

Mr. BARNES. Including \$450,000 to one individual who was not in a position to be providing humanitarian assistance.

Mr. BURTON. Mr. Chairman, will the gentleman yield?

Mr. BARNES. I will yield.

Mr. BURTON. You may be correct in that, but how do you know that? You make that kind of a bold statement. How do you know he is not in a position to provide humanitarian aid. He is the head of the military down there. Don't they have boots, uniforms? How do you know it is not humanitarian aid, and food, for crying out loud?

Mr. BARNES. The gentleman can draw whatever conclusion he wishes that has been presented from the evidence here. My final view is that the General Accounting Office has made rather clear that we still don't have answers to many of the questions that have been raised, and there are numerous allegations that have appeared in the press and that have been presented to members of this subcommittee, I am sure, on both sides of the aisle, by many individuals, about the activities of people associated with this program.

I may say in that respect, regarding the concern about people's lives, there have been unquestionably some threats of assassination

of individuals, but the ones with which I am familiar are individuals who have indicated a willingness to come before our subcommittee and testify regarding their understanding of corruption in the program of funding the Contras.

They have received death threats or at least they say they have, and those are coming not from the Sandinista Government, but rather allegedly from supporters of the Contras.

It is a vicious war on all sides.

Mr. HYDE. Would the gentleman yield?

Mr. BARNES. Sure.

Mr. HYDE. As long as we are having this little colloquy. I think it is pretty clear that we just disagree. In your mind, the bad guys are the Contras, the State Department, the suppliers, the Honduran military, and the good guys are the Sandinistas, I guess. You are too young——

Mr. BARNES. I don't agree with that.

Mr. HYDE. You don't?

Mr. BARNES. That is your perception.

Mr. HYDE. That is my perception. You are too young to remember, and I envy you for that fact, when Senator McCarthy was on everybody's lips and on every front page of every paper and magazine, and a word was coined. It is called "McCarthyism," and it defines making charges, serious charges against people whether or not you have evidence to back them up.

Senator McCarthy did that. Some of the people he charged he was quite right about. Some of the people he charged he was quite wrong about, but the practice of making serious charges to go out over national television through the media without having the evidence dead bang strikes me as McCarthyism, and history does repeat itself.

Thank you.

Mr. BARNES. Let me say to the gentleman, if the gentleman sat through the last 3 hours this afternoon and doesn't believe that there are some serious problems in this program——

Mr. HYDE. Oh, there are serious problems. I believe that.

Mr. BARNES. That is absolutely evident, and that the money is going to people, I mean it is clear, the money is going to people that were not supposed to get the money.

Mr. HYDE. I don't know that. I know there are serious questions and problems.

Mr. BARNES. Mr. Hyde, we know for a fact that the people who submitted the receipts to the State Department and the payments were made on the basis of those receipts did not get the money. Other people got the money.

We know that for a fact. You can draw whatever conclusion you wish about that, but that is what we know. We don't need to continue this discussion here this afternoon.

Mr. McCAIN. Would the gentleman yield?

Mr. BARNES. Let me say as chairman of the subcommittee, we are going to continue the investigation and the gentleman from Arizona and everyone will have an opportunity. We hope to hear from the State Department. We have invited them to appear tomorrow.

Apparently they are not prepared to do so. As soon as they are, we will hear from the State Department, and we can continue whatever discussion we wish to discuss.

Mr. McCAIN. Mr. Chairman, may I make a comment?

Mr. BARNES. I will recognize the gentleman.

Mr. McCAIN. Thank you, Mr. Chairman.

I particularly appreciate that, in light of the fact that you just emoted for 10 minutes. I am very appreciative.

I would like to make a couple of comments, as well, as a member of this subcommittee.

I would like to again point out that in Mr. Conahan's testimony, he said last time, and he has not denied it or retracted it this time, that NHAO "has done about as much as it can."

Mr. Conahan, if you disagree with that, please retract that statement, which is part of the record.

Mr. CONAHAN. I don't retract that statement. I think that holds. I don't know that that is precisely what we are talking about here. We have new information that raises questions that were not on the table at this time that that testimony was given.

Mr. McCAIN. But I think the basic point is here we have made some very—at least the chairman has made some very serious charges. I think you have been very careful about your wording of your statement, which I quoted to you, which I think is really quite excellent, that there is enough evidence "to be concerned that humanitarian assistance may not be reaching the intended beneficiaries."

Possibly the media will miss the nuances there, but as I say, it is a very clever and intelligent statement. Our State Department should at least have the opportunity to digest what you reported, Mr. Conahan, and respond.

I don't expect them to be able to do that in a matter of 2 or 3 hours. I think before this committee, before the American people draw any conclusions, there should at least be a response from those people who are responsible. Would you agree with that?

Mr. CONAHAN. I think that the State Department should respond.

Mr. McCAIN. Before we draw any conclusions, shouldn't they be allowed to respond?

Mr. CONAHAN. I think that I am in a position to draw the conclusion that you think is as clearly worded as it is.

Mr. McCAIN. I just think the important point here is that we should hear both sides and all sides of any arguments.

Mr. CONAHAN. Yes, sir.

Mr. McCAIN. Before we, as a body, reach any conclusions. I do disagree with the chairman's statement when he just said, "we know that the law was not complied with."

I don't know that. There are certainly substantial areas of concern, as you said, and I believe that the best way we can serve the taxpayers of this country and what we are trying to achieve is to indeed have a full and thorough investigation, and have both sides present their side of the story.

I appreciate the chairman's indulgence and I look forward to the continuing saga.

Mr. BARNES. Let me just say with respect to the gentleman's comment if he doesn't know the law was not complied with, he has a very different perspective on what——

Mr. MCCAIN. We have established that we have different perspectives, Mr. Chairman.

Mr. BARNES [continuing]. On what constitutes a procedure that will ensure there is no diversion of funds, because the law states, the law states, not me, that a procedure must be established to ensure that there is no diversion of these funds for purposes other than humanitarian assistance.

If the gentleman believes that that provision of the law was complied with, then that is his belief.

I would also urge my colleagues on this side, who believe that the Chair is overstating concerns about where the money is going, to take some time here in the next few days and review the documentation that is available.

Without naming the specific supplier, I can tell you that one supplier submitted a public voucher for purchases and says other than personal for \$896,000 and some order, and then another one for \$411,974.22.

Mr. BURTON. Mr. Chairman.

Mr. BARNES. Let me just complete my comment here. The money was then deposited into an account to provide for that, and the funds then were paid to the Armed Forces of Honduras, not to the supplier of the food stuffs that were listed on these vouchers, and signed and verified that that was what they were for, so I would just urge my colleagues——

Mr. BURTON. Mr. Chairman, why are you reluctant——

Mr. BARNES. Before you engage in accusations of McCarthyism, Henry, take the time to review the data on my statements that it is very likely that funds have been diverted for purposes other than those intended.

Mr. HYDE. Mr. Chairman, one question.

Mr. BARNES. Take the time to review this information. As a reasonable person, I think you will come to exactly the same conclusion that I did. On the basis of this information, I called the Director of the Federal Bureau of Investigation, and I called the Assistant Attorney General in charge of the Criminal Division and indicated we would be turning this material over to them, because, as a lawyer, I am absolutely convinced that there is evidence of criminal activity.

Mr. HYDE. Mr. Chairman, you have information available to you that is not available to us. Now, you are producing documents. This is the first moment I know you have them, so you have the advantage.

No. 2, all I know is that this is a unique operation. You can't say this is normal. You have got people in the country very much concerned about being identified with helping a guerrilla group attack a neighboring country.

There may be efforts, I am sure there are efforts, to conceal who the ultimate recipient is of this money, and we are finding these efforts at concealment and you are saying something criminal is going on.

I don't know that. I would like to know that. If, in fact, it is wrong, if diversion has occurred, I will join you in screaming for prosecution, but I am just saying we don't—I don't——

Mr. BARNES. The documentation is available.

Mr. HYDE. I thank you for making it available.

Mr. BARNES. As far as I know, there have been no indication of a desire on the part of minority or staff to see the documents.

Mr. HYDE. You can't lust after something you don't know exists, and this is the first I have known it.

Mr. BURTON. One question, Mr. Chairman. That is, why is there such reluctance to divulge who these companies are, when you were very anxious to divulge the names a while ago——

Mr. BARNES. We are still in the process of reviewing all this information, and I don't know that at some point it won't be appropriate to lay out in a systematic way what is available.

Mr. BURTON. Honduras is a friend of ours. I just thought if you were going to be divulging those, why be so reluctant to divulge this information. It doesn't make sense.

Mr. BARNES. It may well make sense to divulge this information at a later date.

The subcommittee will be in recess until the call of the Chair.  
[Whereupon, at 5 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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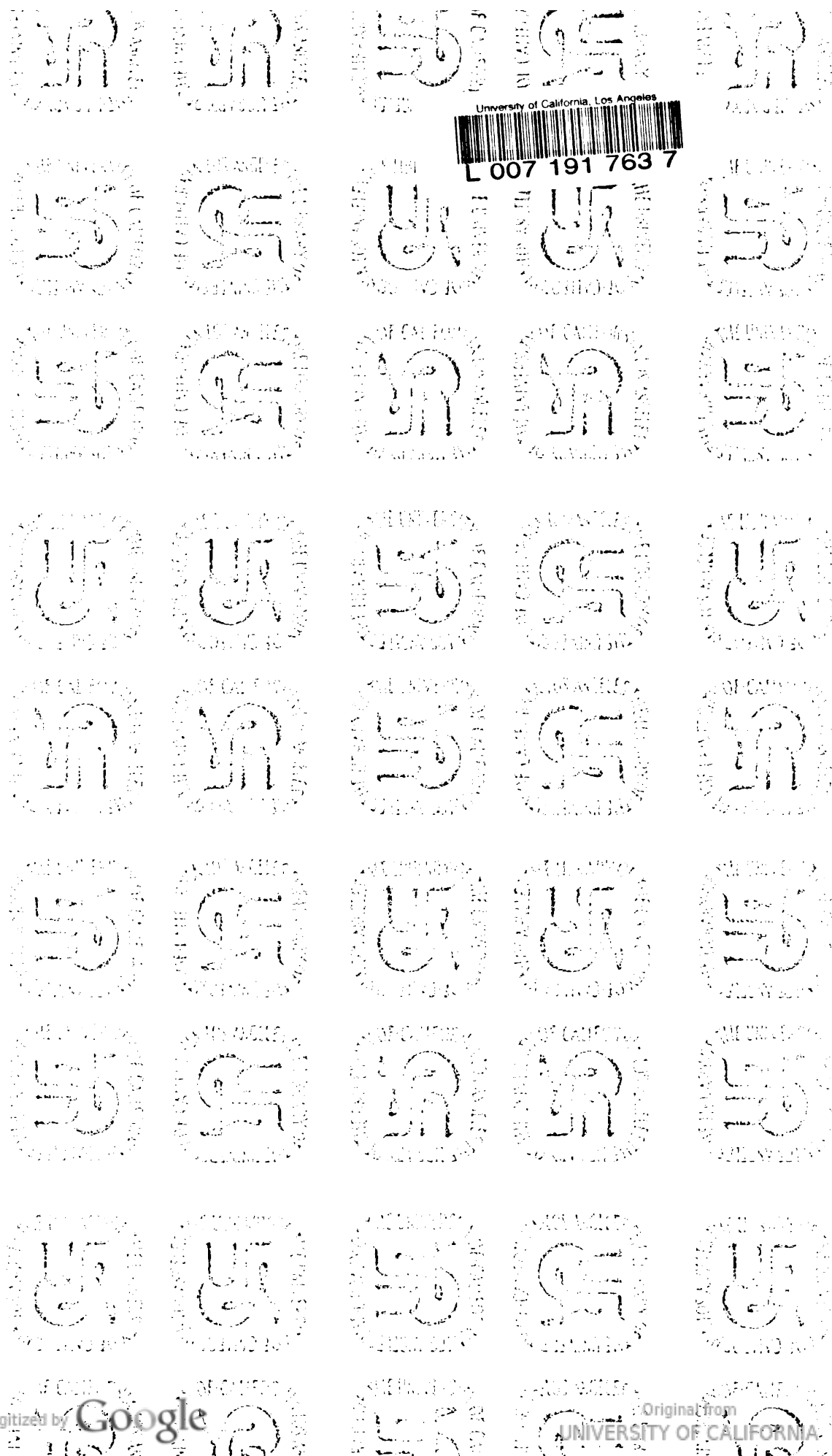


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